DOCUMENT RESUME

ED 369 367 HE 027 406

AUTHOR	Caruthers, J. Kent; Marks, Joseph L.
TITLE	Funding Methods for Public Higher Education in the SREB States.
INSTITUTION	Southern Regional Education Board, Atlanta, Ga.
PUB DATE	[94]
NOTE	109p.
AVAILABLE FROM	Southern Regional Education Board, 592 Tenth St., N.W., Atlanta, GA 30318-5790.
PUB TYPE	Statistical Data (110)
EDRS PRICE	MF01/PC05 Plus Postage.
DESCRIPTORS	*Budgeting; Comparative Analysis; *Educational Finance; *Financial Policy; Higher Education; Public Colleges; *Resource Allocation; *State Aid
IDENTIFIERS	*Formula Budgeting; Formula Funding; *United States (South)

ABSTRACT

This report provides background information for discussion of major higher education finance issues and options. Terminology for comparing funding methods for public higher education across states is introduced. An overview of the evolution of the objectives of funding methods over time is provided, and detailed profiles of the major characteristics of funding methods during 1991-92 for each state in the Southern Regional Education Board (SREB) are presented. Eight summary tables present data on: state-level higher education funding methods and phases, major components of funding methods for general operations, budget request formula components and funding histories, funding methods for special purposes, distribution techniques when budget requests are not fully funded, processes for estimating self-generated revenues, budget control/budget flexibility, and years that basic methods for budgeting were adopted and years of last major revisions. The state profiles then present similar data for four-year and two-year colleges and universities in each of the following states: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia. (JDD)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED 369 367

Funding Methods For Public Higher Education In The SREB States

NE 027 106

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

☐ This document has been reproduced as received from the person or organization originating it.

☐ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY

SREB

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

SREB
Southern Regional Education Board

BEST COPY AVAILABLE

Funding Methods For Public Higher Education In The SREB States

J. Kent Caruthers
Joseph L. Marks

592 Tenth Street, N.W. • Atlanta, Georgia 30318-5790 • 1994

Southern Regional Education Board

Foreword

Since 1988, when SREB published *State Funding Formulas for Higher Education in the SREB States*, state economic woes, the growing public investment in health care and criminal justice, and concerns about higher education accountability have caused state leaders to tighten higher education budgets and reconsider the ways in which public colleges and universities are funded.

Supporters of public higher education have expressed serious concern about whether states are adequately funding institutions. Other state leaders have questioned the realism of the current funding methods. Revenue shortfalls and competing state priorities have made it impossible for many states to continue to fund colleges and universities at the levels called for by existing funding methods.

At the same time, higher education has been criticized for being slow to respond to the need to achieve a new balance between teaching and research without shortchanging research. Some are asking whether funding processes can and should be used to bring about a new balance.

This report provides essential background information for discussions of today's major higher education finance issues and options. To place public higher education funding in a common context, some terminology for comparing the funding methods for public higher education across states is introduced. An overview of the evolution of the objectives of funding methods over time is provided. And detailed profiles of the major characteristics of funding methods during 1991-92 for each SREB state are presented.

This report is based on information collected in 1991 and 1993 from the higher education agencies in the SREB states. Their cooperation is appreciated. Thanks also go to Jennifer Burke, SREB Research Assistant and Librarian, and Anne Li, SREB Data Analyst, for the production of this report.

Table of Contents

Foreword iii

Some Terminology 1

Shifting Objectives of Funding Methods 1

Overview of Funding Methods 2

Summary Tables

TABLE 1. State-Level Higher Education Funding Methods and Phases 5

TABLE 2. Major Components of Funding Methods for General Operations 9

TABLE 3. Budget Request Formula Components and Funding Histories 10

TABLE 4. Funding Methods for Special Purposes 11

TABLE 5. Distribution Techniques When Budget Requests are not Fully Funded 12

TABLE 6. Processes for Estimating Self-Generated Revenues 13

TABLE 7. Budget Control/Budget Flexibility 14

TABLE 8. Years That Basic Methods for Budgeting Were Adopted and Years of Last Major Revisions 15

State Profiles

Alabama Four-Year Colleges and Universities 17
Alabama Two-Year Colleges 23
Arkansas Colleges and Universities 27
Florida Universities 33
Florida Community Colleges 39
Georgia Colleges and Universities 43
Kentucky Colleges and Universities 47
Louisiana Colleges and Universities 53
Maryland Four-Year Colleges 57
Maryland Two-Year Colleges 61
Mississippi Four-Year Colleges 63
Mississippi Two-Year Colleges 67
North Carolina Four-Year Colleges 71
North Carolina Two-Year Colleges 75
Oklahoma Colleges and Universities 79
South Carolina Colleges and Universities 83
Tennessee Colleges and Universities 87
Texas Colleges and Universities 93
Virginia Colleges and Universities 97
West Virginia Colleges and Universities 103

Some Terminology

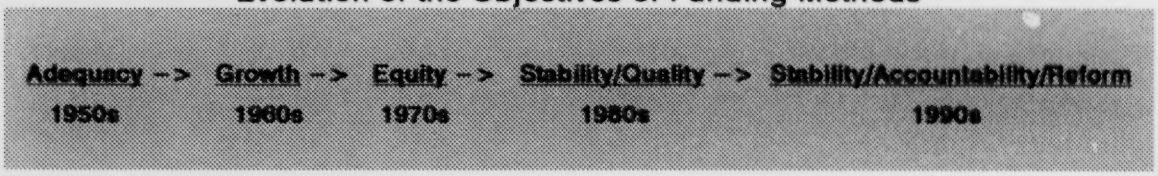
Funding methods for public higher education are complex in any state or system. Each has its own history, traditions, and terminology. To examine funding methods across states, a consistent terminology is helpful. We choose the term "funding method" to encompass both budget-building methods and rules governing the uses of budget-building methods.

The most widely used budget-building methods are "formulas"—quantitative statements that prescribe how to build a request for funding or for allocating funds among institutions. "Incremental," "programmatic justification," and "categorical" funding are additional common methods. Non-mathematical but routinized decisions (for example, funding next year's utilities at the level of prior year actual expenditures), as well as various "rules" concerning how to apply the formula (e.g., which credit hours are counted, whether formula generated funding can be less than prior year actual, or how to handle situations where the appropriation is inadequate to fund the request), are part of the funding method but are not considered part of a formula.

Shifting Objectives of Funding Methods

Over time, funding methods (formula and non-formula) have been designed to achieve different objectives. For example, funding methods may be designed to provide "adequate" funding, to distribute funds "equitably," or to provide "stability" from year to year. The following flow-chart describes the evolution of the objectives of the funding methods over the past four decades.

FIGURE 1
Evolution of the Objectives of Funding Methods



For the most part, each decade's new objective, to be served by the funding process, became an additional rather than a replacement purpose.

Funding methods came to rely on comparative data such as salary averages of peer institutions and quantitative elements such as student/faculty ratios to meet the objectives of adequacy, growth, and objectivity (basing requests on known elements of cost). In response to concerns that formulas

BEST COPY AVAILABLE

had a leveling effect, equity among institutions and sectors was pursued by basing funding on known differences in program structure and activity (e.g., by adding mission, level, and program differentiations) which added complexity to funding methods. When periods of rapid enrollment growth passed, stability was pursued through "formula use" policies, "rolling average" rules, and "hold harmless" provisions. More recently, quality concerns were addressed by implementing non-formula special initiatives such as endowed chairs, centers of excellence, and incentive funding.

Overview of Funding Methods

In 1991 and 1993, the Southern Regional Education Board (SREB) surveyed the funding processes for public higher education in the 15 member states (Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia). The historic leadership of the SREB states in developing new funding processes and the diversity within the SREB region make the study useful in determining likely directions of higher education funding policy and practice across the nation in the years to come.

Twenty statewide higher education agencies are responsible for public higher education funding in the SREB states. In all 15 states, some party (state higher education agency, governor, or legislature) used a formula method at some phase of the budget cycle (request/review/recommend, appropriate, or allocate to institutions) for public two-year or four-year colleges and universities. (See Table 1.) Of the 20 agencies, nine used a formula method exclusively, nine used a formula in conjunction with incremental/program justification or categorical funding methods, and two used no formula.

Formulas and other budget-building methods are used to *request funds at the system or institutional level*, to *appropriate funds at the system or institutional level*, or to *allocate funds among institutions*. Characteristics of funding processes vary greatly, in part due to the different uses states make of them and, in part, to the scope (system-wide versus institution shares) of the method.

Formula funding methods are most often used to build budget requests. Eighteen agencies used a formula method, at least in part, for requesting funds, reviewing funding requests, or for recommending funding levels. Six state legislatures used a formula method, at least in part, for appropriating funds at the system level and six used a formula for appropriating at the institutional level. Six agencies used a formula method, at least in part, for allocating institutional shares in cases of system level appropriations.

FIGURE 2
Formula Usage in the SREB States, 1991-92

	State Agency	Governor	Legislature
Review/Request/Recommend	18	12	12
Appropriate			12
Allocate Institutional Shares	6		

There are two basic formats used in funding formulas: *a dollar rate times a student credit hour* (SCH) *or full-time-equivalent* (FTE) *student measure*; and *a student/faculty ratios times a salary rate or set of salary rates.* (See Table 2.) Among the 20 cases in the SREB states, the first method is employed in 10 (either for the entire formula amount or for the growth portion), the second method in five, and five employ a mixed method.

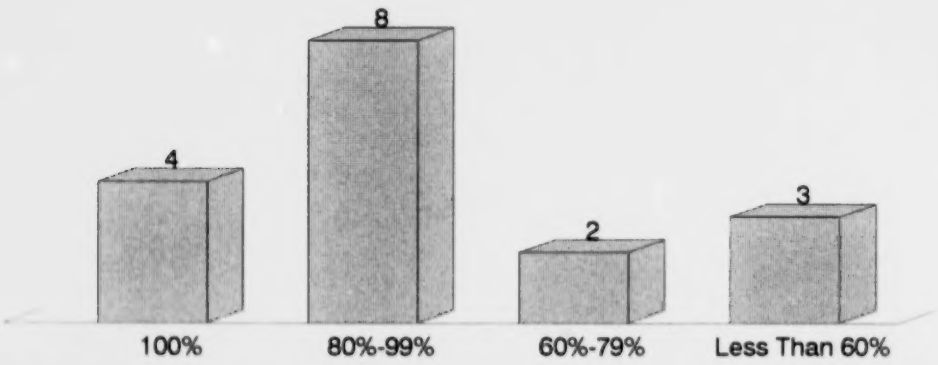
Mission differences are recognized in 13 of the cases. In some instances, only two kinds of missions are defined; others recognize a unique mission for each institution in the state. The typical number of missions recognized is three to four. *Levels of instruction* are recognized in 14 cases. The typical number recognized is four to five. *Program or discipline differences* are recognized in 18 of the cases. As few as two program categories and as many as 46 are recognized. The typical number recognized is 14.

Nineteen cases have formula provisions for at least part of the *instruction, student services*, and *institutional support* functions; 18 cases have formula provisions for *operation and maintenance of* plant; 13 use formula provisions for *departmental research*; 13 for *general public service*; and nine have formula provisions for *continuing/community education activities.*

Formula methods accounted for 100 percent of the operating budget request for state funds in only four of the 20 cases. (See Table 3.) In eight cases the formula covered from 80-99 percent. In two cases the formula covered from 60-79 percent. And in three cases the formula covered less that 60 percent of the request for state funds. (In the remaining three cases, the percentage could not be determined.) The balance of the budget request is determined on the basis of incremental program justifications, categorical funding, or incentive funding.

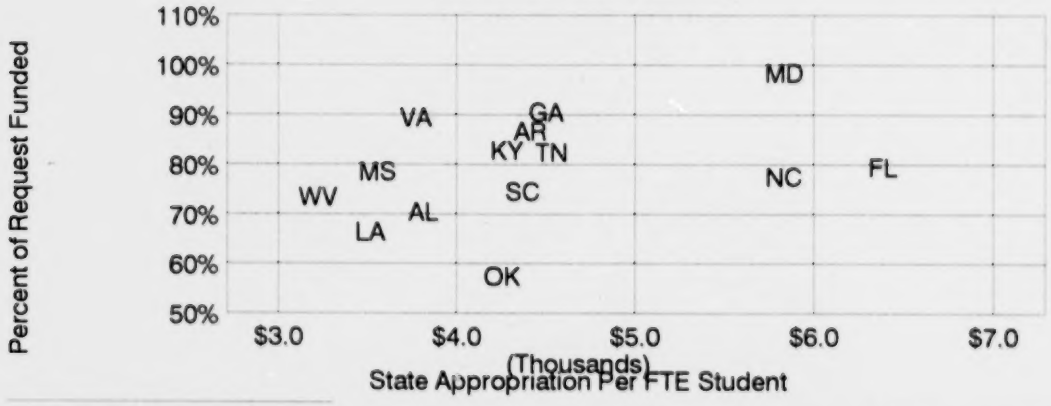
Budget requests have not fared well in recent years. In 1991-92, none of the 18 requests for which estimates were available were fully funded and, in one case, the funding available was 40 percent of the request. The average was a 76 percent funding level.

FIGURE 3
Percent of Operating Budget Request Covered by Formulas
SREB States, 1991-92



Observers of comparative data will notice that a funding method in one state may yield very different funding levels than another. In the SREB region, 58 percent of one request may yield the same per student funding of $4,300 as 86 percent of another. In another example, $3,800 is 71 percent of one and 90 percent of another; or 78 percent of one can be $5,800, 99 percent of another. This point is of particular interest and deserves further study because of its bearing on the question of funding process adequacy.

FIGURE 4
Funding Levels Related to Percent of Request Funded
Public Four-Year Institutions
SREB States, 1991-92



NOTES: Texas is excluded from this graph because their methods take into account all revenue sources in addition to state funds . In their case an accurate figure for percent of request funded was not available. It should also be noted that other states also use all unrestricted sources of funds and not just the request for appropriations for state tax funds. In these situations, an illustration of total dollars per FTE compared to percent that the request is funded could provide an additional look at this general question and should also be considered a topic for further study.

TABLE 1
State-Level Higher Education Funding Methods and Phases, 1991-92

State	Phase	Participants		
		State Agency	Governor	Legislature
Alabama Four-Year	Request & Review			
	Institutional Level	Formula Plus		
	System Level			
	Review & Recommend			
	Institutional Level	Formula Plus	Formula Plus	Formula Plus
	System Level			
	Appropriation			
	Institutional Level			Formula Plus
	System Level			
	Allocation to Institutions			
Alabama Two-Year	Request			
	Institutional Level			
	System Level	ACHE Formula		
	Review & Recommend			
	Institutional Level			
	System Level	ACHE Formula	ACHE Formula	ACHE Formula Plus
	Appropriation			
	Institutional Level			Legislative Formula
	System Level			ACHE Formula Plus
	Allocation to Institutions			
Arkansas	Request			
	Institutional Level	Formula Plus		
	System Level			
	Review & Recommend			
	Institutional Level	Formula Plus	Formula Plus	Formula Plus
	System Level			
	Appropriation			
	Institutional Level			Formula Plus
	System Level			
	Allocation to Institutions			
Florida Four-Year	Request			
	Institutional Level	Formula Plus		
	System Level	Formula Plus		
	Review & Recommend			
	Institutional Level	Formula Plus		
	System Level	Formula Plus	Formula Plus	Formula Plus
	Appropriation			
	Institutional Level			
	System Level			Formula Plus
	Allocation to Institutions	Formula Plus		
Florida Two-Year	Request			
	Institutional Level	Formula		
	System Level			
	Review & Recommend			
	Institutional Level		Formula	Formula
	System Level			
	Appropriation			
	Institutional Level			Formula
	System Level			
	Allocation to Institutions			

See state profiles for details about individual states.

TABLE 1 (continued)
State-Level Higher Education Funding Methods and Phases, 1991-92

State	Phase	Participants		
		State Agency	Governor	Legislature
Georgia	Request			
	Institutional Level	Justification		
	System Level	Formula		
	Review & Recommend			
	Institutional Level	Justification		
	System Level	Formula	Formula	Formula
	Appropriation			
	Institutional Level			
	System Level			Formula
	Allocation to Institutions	Justification		
Kentucky	Request			
	Institutional Level	Formula		
	System Level			
	Review & Recommend			
	Institutional Level	Formula	Formula	Formula
	System Level			
	Appropriation			
	Institutional Level			Formula
	System Level			
	Allocation to Institutions			
Louisiana	Request			
	Institutional Level	Formula Plus		
	System Level			
	Review & Recommend			
	Institutional Level	Formula Plus	Formula Plus	Formula Plus
	System Level			
	Appropriation			
	Institutional Level			Formula
	System Level			Formula
	Allocation to Institutions			
Maryland Four-Year	Request			
	Institutional Level	Justification Plus		
	System Level	Justification Plus		
	Review & Recommend			
	Institutional Level		Justification Plus	Justification Plus
	System Level		Justification Plus	Justification Plus
	Appropriation			
	Institutional Level			Justification Plus
	System Level			
	Allocation to Institutions			
Maryland Two-Year	Request			
	Institutional Level	Formula		
	System Level			
	Review & Recommend			
	Institutional Level	Formula	Formula	Formula
	System Level			
	Appropriation			
	Institutional Level			Formula
	System Level			
	Allocation to Institutions			

See state profiles for details about individual states.

TABLE 1 (continued)
State-Level Higher Education Funding Methods and Phases, 1991-92

State	Phase	Participants		
		State Agency	Governor	Legislature
Mississippi Four-Year	Request			
	Institutional Level			
	System Level	Formula		
	Review & Recommend			
	Institutional Level			
	System Level		Justification	Justification
	Appropriation			
	Institutional Level			
	System Level			Justification
	Allocation to Institutions	Formula		
Mississippi Two-Year	Request			
	Institutional Level			
	System Level	Formula Plus		
	Review & Recommend			
	Institutional Level			
	System Level	Justification	Justification	Justification
	Appropriation			
	Institutional Level			
	System Level			Justification
	Allocation to Institutions	Formula Plus		
North Carolina Four-Year	Request			
	Institutional Level	Justification Plus		
	System Level	Justification Plus		
	Review & Recommend			
	Institutional Level	Justification Plus		
	System Level	Justification Plus	Justification	Justification
	Appropriation			
	Institutional Level			Justification
	System Level			Justification
	Allocation to Institutions	Justification Plus		
North Carolina Two-Year	Request			
	Institutional Level	Formula		
	System Level	Formula		
	Review & Recommend			
	Institutional Level	Formula		
	System Level	Formula	Formula	Formula
	Appropriation			
	Institutional Level			
	System Level			Formula
	Allocation to Institutions	Formula		
Oklahoma	Request			
	Institutional Level	Formula		
	System Level	Formula Plus		
	Review & Recommend			
	Institutional Level	Formula		
	System Level	Formula Plus	Justification	Justification
	Appropriation			
	Institutional Level			
	System Level			Justification
	Allocation to Institutions	Formula		

See state profiles for details about individual states.

TABLE 1 (continued)
State-Level Higher Education Funding Methods and Phases, 1991-92

State	Phase	Participants		
		State Agency	Governor	Legislature
South Carolina	Request			
	Institutional Level	Formula		
	System Level	Formula		
	Review & Recommend			
	Institutional Level	Formula		
	System Level	Formula	Justification	Justification
	Appropriation			
	Institutional Level			
	System Level			Justification
	Allocation to Institutions	Formula		
Tennessee	Request			
	Institutional Level	Formula		
	System Level	Formula		
	Review & Recommend			
	Institutional Level	Formula	Formula	Formula
	System Level	Formula	Formula	Formula
	Appropriation			
	Institutional Level			Formula
	System Level			Formula
	Allocation to Institutions			
Texas	Request			
	Institutional Level	Formula Plus		
	System Level			
	Review & Recommend			
	Institutional Level	Formula Plus	Formula Plus	Formula Plus
	System Level			
	Appropriation			
	Institutional Level			Formula Plus
	System Level			
	Allocation to Institutions			
Virginia	Request			
	Institutional Level	Formula Plus		
	System Level			
	Review & Recommend			
	Institutional Level	Formula Plus	Formula Plus	Formula Plus
	System Level			
	Appropriation			
	Institutional Level			Formula Plus
	System Level			
	Allocation to Institutions			
West Virginia	Request			
	Institutional Level			
	System Level	Formula		
	Review & Recommend			
	Institutional Level			
	System Level	Formula	Formula	Formula
	Appropriation			
	Institutional Level			
	System Level			Formula
	Allocation to Institutions	Per Employee		

See state profiles for details about individual states.

TABLE 2
Major Components of Funding Methods for General Operations, 1991-92

Formula Component	AL 4-Yr	AL 2-Yr	AR	FL 4-Yr	FL 2-Yr	GA	KY	LA	MD 4-Yr	MD 2-Yr	MS 4-Yr	MS 2-Yr	NC 4-Yr	NC 2-Yr	OK	SC	TN	TX	VA	WV
Credit Instruction:			S/F x sal rate + $ x	S/F x sal rate + $ x	Base + $ x				Base + adjust-				Base + $ x							
Basic Model	$ x SCH	$ x FTE	FTE	FTE	FTE	S/F x sal rate	$ X SCH	$ X SCH	ment	$ x FTE	$ X SCH	$ x FTE	FTE growth	S/F x sal rate	$ X SCH	S/F x sal rate	S/F x sal rate	$ X SCH	S/F x sal rate	$ x FTE
Mission Differentiation:	2	N	4	9	N	N	3	5	N	N	3	N	Y	N	27	3	4	2	3	5
Levels:	4	N	5	4	N	3	5	6	N	N	3	N	Y	N	3	3	6	5	6	5
Programs/Disciplines:	14	2	44	3	6	5	17	5	N	N	20	5	Y	11	22	46	20	19	30	5
Non-Formula Provisions:	Y	N	Y	Y	Y	N	N	Y	Y	N	Y	Y	Y	N	N	N	N	Y	Y	N
Academic Support:																				
Formula Provisions:	Y	Y*	Y	Y	Y*	Y	Y	Y	N	Y*	Y	Y*	Y*	Y*	Y*	Y	Y	Y	Y	Y*
Non-Formula Provisions:	Y	N	Y	N	Y	N	N	N	Y	N	N	N	Y	N	N	N	N	N	Y	N
Student Services:																				
Formula Provisions:	Y	Y*	Y	Y	Y*	Y	Y	Y	N	Y*	Y	Y*	Y*	Y*	Y*	Y	Y	Y	Y	Y*
Non-Formula Provisions:	N	N	Y	N	Y	N	N	N	Y	N	N	N	Y	N	N	N	N	N	N	N
Institutional Support:																				
Formula Provisions:	Y	Y*	Y	Y	Y*	Y	Y	Y	N	Y*	Y	Y*	Y*	Y*	Y*	Y	Y	Y	Y	Y*
Non-Formula Provisions:	N	N	Y	N	Y	N	N	N	Y	N	N	N	Y	N	N	N	N	N	Y	N
Operation & Maintenance of Plant:																				
Formula Provisions:	Y	Y*	Y	Y	Y*	Y	Y	Y	N	Y*	Y	Y*	Y*	N	Y*	Y	Y	Y	Y	Y*
Non-Formula Provisions:	Y	N	Y	N	N	N	N	N	Y	N	Y	N	Y	N	N	Y	Y	N	N	N
Departmental Research:																				
Formula Provisions:	Y	N	Y	Y	N	Y	Y	Y	N	N	Y	N	Y*	N	Y*	Y	Y	Y	N	Y*
Non-Formula Provisions:	Y	Y	Y	N	N	N	N	Y	Y	N	N	N	Y	N	N	N	N	N	Y	N
General Public Service:																				
Formula Provisions:	Y	N	Y	Y	N	Y	Y	Y	N	Y*	Y	N	Y*	N	Y*	Y	Y	N	N	Y*
Non-Formula Provisions:	Y	Y	Y	N	N	N	N	Y	Y	N	N	N	Y	N	N	N	N	N	Y	N
General Continuing /Community Education Activities:																				
Formula Provisions:	N	N	Y	N	N	Y	Y	Y	N	Y*	Y	N	Y*	N	Y*	N	N	N	N	Y*
Non-Formula Provisions:	N	N	N	N	N	N	N	Y	N	N	Y	N	Y	Y	N	N	N	N	Y	N

KEY: $ x SCH = dollars times student credit hours
$ x FTE = dollars time full-time-equivalent enrollment
S/F x sal rate = student/faculty ratios time salary rate(s)

Y = yes
N = no
Y* = yes, included in basic model, not a separate calculation

TABLE 3
Budget Request Formula Components and Funding Histories
1991-92

	Percent of Budget Request Covered by Formulas		Percent of Budget Request Funded		
	General	Special Purpose	1989-90	1990-91	1991-92
Alabama					
Four-Year	80	84	84	84	71
Two-Year	82	NA	87	78	70
Arkansas	68	NA	87	82	86
Florida					
Four-Year	95	5	97	87	80
Two-Year	Increase Only	NA	90	98	82
Georgia	100	NA	100	96	91
Kentucky	100	83	84	84	84
Louisiana	56	NA	62	64	67
Maryland					
Four-Year	NA	NA	102	97*	99*
Two-Year	NA	NA	NA	NA	NA
Mississippi					
Four-Year	98	NA	84	82	79
Two-Year	41	NA	87	73	58
North Carolina					
Four-Year	1	NA	89	83	78
Two-Year	88	NA	40	40	40
Oklahoma	100	70	87	69	58
South Carolina	81	6	95	89	75
Tennessee	95	40	97	92	84
Texas	70	3	NA	NA	NA
Virginia	90-95	34	93	90	90
West Virginia	100	NA	NA	NA	74

"NA" indicates "not applicable."

* Not counting mid-year cut.

TABLE 4
Funding Methods for Special Purposes, 1991-92

	Statewide Scholarships & Fellowships	Separately Budgeted Research	Separately Budgeted Public Service	Separately Budgeted Continuing Education	Medical & Health Science Centers	Experiment Stations & Cooperative Extension Services	Other Special Purpose Entities
Alabama							
Four-Year	Non-Formula	Non-Formula	Non-Formula		Formula	Formula	Formula & Non-Formula
Two-Year		Non-Formula	Non-Formula				
Arkansas	Non-Formula	Non-Formula	Non-Formula	Non-Formula	Non-Formula	Non-Formula	Non-Formula
Florida							
Four-Year	Formula		Non-Formula		Non-Formula	Non-Formula	
Two-Year							
Georgia		Non-Formula	Non-Formula	Non-Formula	Non-Formula	Non-Formula	
Kentucky	Formula & Non-Formula	Non-Formula	Non-Formula		Formula	Formula	
Louisiana	Non-Formula	Non-Formula	Non-Formula	Non-Formula	Non-Formula	Non-Formula	Non-Formula
Maryland							
Four-Year	Non-Formula	Non-Formula	Non-Formula	Non-Formula	Non-Formula	Non-Formula	Non-Formula
Two-Year							Non-Formula
Mississippi							
Four-Year	Non-Formula	Non-Formula	Non-Formula	Non-Formula	Non-Formula	Non-Formula	Non-Formula
Two-Year							
North Carolina							
Four-Year	Non-Formula	Non-Formula	Non-Formula	Non-Formula	Non-Formula	Non-Formula	Non-Formula
Two-Year							
Oklahoma	Non-Formula	Non-Formula			Formula	Formula	
South Carolina	Non-Formula	Non-Formula	Non-Formula		Formula	Non-Formula	
Tennessee	Formula & Non-Formula	Non-Formula	Non-Formula	Non-Formula	Formula & Non-Formula	Non-Formula	Formula & Non-Formula
Texas	Non-Formula	Formula & Non-Formula			Formula & Non-Formula		
Virginia	Formula & Non-Formula	Non-Formula	Non-Formula	Non-Formula	Formula	Non-Formula	Non-Formula
West Virginia	Non-Formula	Formula	Formula	Formula	Non-Formula	Formula	Formula

TABLE 5
Distribution Techniques When Budget Requests Are Not Fully Funded, 1991-92

(multiple responses acceptable)

	Protect Base Plus Line Item Increases	Protect Base Plus Equal Percent Increases	Protect Base Plus New Dollars in Proportion to Share of Request	Entire Amount in Proportion to Share of Request	Other
Alabama					
Four-Year				X	
Two-Year					Base plus per FTE amount
Arkansas			X		
Florida					
Four-Year	X		X		
Two-Year					Selected eliminations and proportional reductions
Georgia					Program justification
Kentucky		X			Fund lowest funded institutions
Louisiana	X	X			
Maryland					
Four-Year					Legislative action
Two-Year				X	
Mississippi					
Four-Year				X	
Two-Year			X		
North Carolina					
Four-Year					Executive branch reduces allotments
Two-Year				X	
Oklahoma			X		
South Carolina		X		X	
Tennessee		X		X	
Texas					Institutional and legislative priorities
Virginia			X		
West Virginia	X		X		

TABLE 6
Processes For Estimating Self-Generated Revenues, 1991-92
(multiple responses acceptable)

	Computed Fee Rate Times FTE*	Percentage of New Appropriation*	Estimated Investment Income*	Estimated Indirect Cost Recovery*	Prior Year Actual Collections*	Other
Alabama						
Four-Year	X				X	
Two-Year						X
Arkansas	X		X			
Florida						
Four-Year	X		X		X	
Two-Year	X					
Georgia		X				
Kentucky	X		X	X		
Louisiana	X					
Maryland						
Four-Year						X
Two-Year						X
Mississippi						
Four-Year	X					
Two-Year						X
North Carolina						
Four-Year	X		X	X		
Two-Year					X	
Oklahoma	X					
South Carolina		X				
Tennessee		X	X			
Texas						X
Virginia		X		X		
West Virginia						X

* KEY: Computed Fee Rate Times FTE: The self-generated revenue estimate is computed as the product of a known or projected fee rate multiplied by a known or projected enrollment level. Percentage of New Appropriation: An established percentage of the formula-determined need is deducted as the estimate for self-generated revenue. Estimated Investment Income: In addition to estimated student fees, the self-generated revenue budget includes projected investment income. Estimated Indirect Cost Recovery: In addition to estimated student fees, the self-generated revenue budget includes projected indirect cost reimbursements. Prior Year Actual Collections: In addition to estimated student fees, the self-generated revenue budget includes prior year collections from miscellaneous sources. Not Applicable: Self-generated revenue is not considered in the formula process.

TABLE 7
Budget Control/Budget Flexibility, 1991-92

	By Function	By Object	By Line Item	Other
Alabama				
Four-Year	I	I	E	
Two-Year	I	I	E	
Arkansas		I		
Florida				
Four-Year	C	I	E	L
Two-Year	I	I	I	L
Georgia	C	L	L	
Kentucky	I	I		
Louisiana	L	L	L	
Maryland				
Four-Year	I	I	L	
Two-Year	I	I	I	
Mississippi				
Four-Year	C	C	L	
Two-Year	I	I		
North Carolina				
Four-Year	I	I	I	
Two-Year	C	C		
Oklahoma	C	C		
South Carolina	I	I	I	
Tennessee	I[1]	I[1]	C	
Texas	I	I	I	E[2]
Virginia	I	I	E	
West Virginia	I/C[3]	I/C[3]	I/C[3]	

Key: I = Institutional Officers/Governing Boards
C = Statewide Coordinating/Governing Board
E = Executive Branch
L = Legislative Branch

[1] Executive branch approves budgets at the beginning of the fiscal year.

[2] Among institutions.

[3] Institutional officers have the authority to transfer funds without state board approval. The state boards also have the authority to transfer funds.

TABLE 8
Years That Basic Methods for Budgeting Were Adopted and Years of Last Major Revisions 1991-92

	Basic Structure	Last Major Revision
Alabama		
Four-Year	1990-91	None
Two-Year	1985-86	1990-91
Arkansas	1977-78	None
Florida		
Four-Year	1962-63	1987-88
Two-Year	1990-91	None
Georgia	1983-84	None
Kentucky	1983-84	1989-90
Louisiana	1970-71	1989-90
Maryland		
Four-Year	1989-90	None
Two-Year	mid-1970s	1991-92
Mississippi		
Four-Year	1987-88	None
Two-Year	late-1970s	1987-88
North Carolina		
Four-Year	1971-72	1991-92
Two-Year	1979-80	1990-91
Oklahoma	1973-74	1988-89
South Carolina	1980-81	None
Tennessee	1971-72	1986-87
Texas	1954-55	1988-89
Virginia	1968-70 biennium	1988-89
West Virginia	1989-90	1990-91

ALABAMA FOUR-YEAR COLLEGES AND UNIVERSITIES

(includes health science centers, experiment/extension centers, and statewide programs)

Contact Person

Edward P. Rutledge
Director of Financial Affairs
205-281-1921

Alabama Commission on Higher Education
3465 Norman Bridge Road
Montgomery, Alabama 36105-2310

FUNDING METHODS AND PHASES:

	Participants		
Phase	State Agency	Governor	Legislature
Request & Review			
Institutional Level	Formula Plus*		
System Level			
Review & Recommend			
Institutional Level	Formula Plus*	Formula Plus*	Formula Plus*
System Level			
Appropriation			
Institutional Level			Formula Plus*
System Level			
Allocation to Institutions			

* Formula plus line items and program enhancement funds.

DESCRIPTION OF THE BUDGETING PROCESS:

Colleges and universities submit budget requests through the Alabama Commission on Higher Education (ACHE) using both formula-generated items and individual program justifications. The formula components are revised annually to reflect regional average funding rates. ACHE may recommend less than the full request generated by the formula in recognition of available state revenues. The funding process is linked to planning and assessment through formula elements to recognize institutional mission, role, and scope. Special undergraduate retention incentives are also built into the formula.

PERCENT OF BUDGET REQUEST COVERED BY FORMULA PROVISIONS:

General Operating Appropriations: 80 percent

Special Purpose Operating Appropriations: 84 percent

FUNDING PROCEDURES FOR GENERAL OPERATIONS:

Instruction:

Formula Provisions for Credit Instruction:

Basic Model: Cost per Student Credit Hour.

Mission Differentiation: Two distinct sets of salary rates, one for doctoral-research and one for nondoctoral institutions, are used.

Levels: Four course levels (undergraduate lower division, undergraduate upper division, graduate 1, and graduate 2). Different weights are assigned to these levels.

Programs/Disciplines: Fourteen academic discipline groupings (agriculture, business, education, engineering/architecture, fine arts, general, home economics, interdisciplinary, law, military science, nursing/health, pharmacy, science, and veterinary medicine). Different weights are assigned to these levels.

Non-Formula Provisions: Special allocations are periodically added by the legislature to the formula-generated request.

Academic Support:

Formula Provisions: For general support, 5 percent of the formula amount for instruction. For libraries, on-campus credit hours times cost factors for undergraduate, graduate 1, graduate 2, and law.

Non-Formula Provisions: Line items and program enhancement.

Student Services:

Formula Provisions: Headcount enrollment times funding rates for six institutional size categories. (There are no non-formula provisions.)

Institutional Support:

Formula Provisions: Fourteen percent of all other categories except utilities. (There are no non-formula provisions.)

Operation and Maintenance of Plant:

Formula Provisions: (1) Maintenance and custodial funds are derived by gross square feet times a funding rate. For utilities, energy consumption units per gross square foot times projected energy price rates per energy consumption unit.

(2) Facilities renewal allowance based on age, materials, and type of use.

Non-Formula Provisions: Deferred maintenance provisions.

Departmental Research:

Formula Provisions: Two percent of the combined formula amounts for instruction and academic support plus 5 percent of sponsored research.

Non-Formula Provisions: Line items.

General Public Service Activities:

Formula Provisions: Two percent of combined formula amounts for instruction and academic support .

Non-Formula Provisions: Line items.

General Continuing/Community Education Activities:

Non-Formula Provisions: These activities are expected to be self-supporting. (There are no formula provisions.)

FUNDING PROCEDURES FOR SPECIAL PURPOSES:

Statewide Scholarships and Fellowships:

Non-Formula Provisions: There are specific state level programs. (There are no formula provisions.)

Separately Budgeted Research Units:

Non-Formula Provisions: Line items. (There are no formula provisions.)

Separately Budgeted Public Service Units:

Non-Formula Provisions: Line items. (There are no formula provisions.)

Medical/Health Science Centers:

Formula Provisions: Constructed cost formulas for medicine, dentistry, optometry, and veterinary medicine. (There are no non-formula provisions.)

Experiment Stations and Cooperative Extension Services:

Formula Provisions: ACHE collects state and federal appropriations data for these activities regionally, then tries to match the average ratio of state dollars to federal dollars, excluding cases with extremely high or extremely low values. (There are no non-formula provisions.)

Other Special Purpose Entities:

Formula Provisions: Facilities renewal allowance.

Non-Formula Provisions: Line items such as eminent scholars programs, the marine environmental science consortium, and the small business development center.

PERCENT OF BUDGET REQUEST FUNDED:

1991-92: 71 percent
1990-91: 84 percent
1989-90: 84 percent

DISTRIBUTION TECHNIQUE WHEN REQUEST IS NOT FULLY FUNDED:

The legislature often appropriates to institutions in proportion to their share of the request but is not required to do so.

REALLOCATION TECHNIQUE FOR MID-YEAR BUDGET CUTS:

Across-the-board cuts.

PROCESS FOR ESTIMATING SELF-GENERATED REVENUE:

Ninety percent of the prior year average tuition and fees charged by each institution times the three-year average unweighted semester credit hours.

TUITION AND FEES POLICIES:

Tuition policy for in-state and out-of-state students is set by institutions.

USE OF EXTERNAL INFORMATION:

The National Association of State Universities and Land-Grant Colleges (NASULGC) faculty salary report by discipline (OSU report) is used for doctoral institution comparisons; the College and University Personnel Association (CUPA) faculty salary report by discipline is used for non-doctoral institutions; and SREB salary averages by type of institution are used in the formula.

YEAR THAT BASIC METHOD FOR BUDGETING WAS ADOPTED:

1990-91 (There have been no major revisions.)

SUMMARY OF REVISIONS OF BUDGETING METHODS ENACTED SINCE 1991-92 OR UNDER CONSIDERATION:

Using salaries by different discipline categories for generating departmental operating expense is being considered.

Professional health programs go under the regular formula beginning in 1994-95.

Operations and Maintenance utilities factors have been revised.

Student services factors have been revised to more properly reflect the needs of small colleges.

Research funding as a line item has been reduced. Research is moving toward being funded as a percent of instruction.

Doubled weights for remedial education have been implemented.

On self-generated revenue, the amount of funds institutions return to the state have been reduced.

BUDGET CONTROL/BUDGET FLEXIBILITY (Which level of management can legally authorize transfer of funds):

	Institutional Officers/ Governing Board	Statewide Coordinating/ Governing Board	Executive Branch	Legislative Branch
Among Functions (instruction, student services, etc.)	x			
Among Objects (salaries, equipment, etc.)	x			
Line Items (desegregation, research institute, etc.)			x	

ALABAMA TWO-YEAR COLLEGES

Contact Person

Edward P. Rutledge
Director of Financial Affairs
205-281-1921

Alabama Commission on Higher Education
3465 Norman Bridge Road
Montgomery, Alabama 36105-2310

FUNDING METHODS AND PHASES:

Phase	Participants		
	State Agency	Governor	Legislature
Request			
Institutional Level			
System Level	ACHE Formula		
Review & Recommend			
Institutional Level			
System Level	ACHE Formula	ACHE Formula	ACHE Formula Plus*
Appropriation			
Institutional Level			Legislative Formula
System Level			ACHE Formula Plus*
Allocation to Institutions			

* Formula and special requests.

The Alabama Department of Postsecondary Education (ADPE) and the Alabama Commission on Higher Education (ACHE) use distinct formulas which are applicable in different stages of the budget process. The ACHE formula is described in the remainder of this profile.

DESCRIPTION OF THE BUDGETING PROCESS:

For Comprehensive Two-Year Colleges, the SREB average state general operating appropriation per full-time-equivalent student is adjusted for inflation and for fringe benefits requirements, and then multiplied by Alabama full-time- equivalent enrollments. For Postsecondary Vocational-Technical Institutions, the funding method is a "constructed cost" or "incremental budgeting" method.

PERCENT OF BUDGET REQUEST COVERED BY FORMULA PROVISIONS:

General Operating Appropriations: 82 percent

Special Purpose Operating Appropriations: 0 percent

FUNDING PROCEDURES FOR GENERAL OPERATIONS:

Instruction:

Formula Provisions for Credit Instruction:

Basic Model: Cost Per FTE (There are no mission or level differentiations.)

Programs/Disciplines: One group of "high cost" programs is differentiated from the others. (There are no non-formula provisions.)

Academic Support, Student Services, Institutional Suppport, Operation and Maintenance of Plant, and General Public Service Activities:

Formula Provisions: See general description. (There are no non-formula provisions.)

FUNDING PROCEDURES FOR SPECIAL PURPOSES:

Separately Budgeted Public Service/Research Units:

Non-Formula Provisions: Line items. (There are no formula provisions.)

PERCENT OF BUDGET REQUEST FUNDED:

1991-92: 70 percent
1990-91: 78 percent
1989-90: 87 percent

DISTRIBUTION TECHNIQUE WHEN REQUEST IS NOT FULLY FUNDED:

There are two lump-sum appropriations, one for comprehensive two-year colleges and one for technical colleges. The appropriations bill specifies allocation procedures for each. Typically they include a "base" amount per institution plus funding for high-cost programs at "cost." The remainder of funds are typically distributed on a per FTE basis.

REALLOCATION TECHNIQUE FOR MID-YEAR BUDGET CUTS:

Across-the-board cuts.

PROCESS FOR ESTIMATING SELF-GENERATED REVENUE:

Formula is based on state support only.

TUITION AND FEES POLICIES:

Tuition levels and policies for in-state and out-of-state students are set by the State Board for Postsecondary Education.

USE OF EXTERNAL INFORMATION:

For comprehensive two-year colleges, the SREB average state general operating appropriations per full-time-equivalent student.

YEAR THAT BASIC METHOD FOR BUDGETING WAS ADOPTED:

1985-86 (The last major revision was in 1990-91.)

BUDGET CONTROL/BUDGET FLEXIBILITY (Which level of management can legally authorize transfer of funds):

	Institutional Officers/ Governing Board	Statewide Coordinating/ Governing Board	Executive Branch	Legislative Branch
Among Functions (instruction, student services, etc.)	x			
Among Objects (salaries, equipment, etc.)	x			
Line Items (desegregation, research institute, etc.)			x	

ARKANSAS COLLEGES AND UNIVERSITIES

(includes health science centers, experiment/extension centers, and statewide programs)

Contact Person

Barbara P. Anderson
Associate Director for Finance
501-324-9300

Arkansas Department of Higher Education
114 East Capitol
Little Rock, Arkansas 72201

FUNDING METHODS AND PHASES:

Phase	Participants		
	State Agency	Governor	Legislature
Request			
Institutional Level	Formula Plus*		
System Level			
Review & Recommend			
Institutional Level	Formula Plus*	Formula Plus*	Formula Plus*
System Level			
Appropriation			
Institutional Level			Formula Plus*
System Level			
Allocation to Institutions			

* Formula plus additional requests handled on a case-by-case basis.

DESCRIPTION OF THE BUDGETING PROCESS:

The state of Arkansas operates on a biennial budget process. Institutions of higher education submit a two-year budget request following instructions published by the Department of Higher Education. That request is reviewed by the Department of Higher Education and submitted to the Board of Higher Education. The Board's recommendations are then transmitted to the Governor and to the Legislative Council of the General Assembly. The Legislative Council meets prior to the beginning of a legislative session, conducts budget hearings, and prepares appropriation acts for the General Assembly's consideration. Appropriation acts are considered by the Joint Budget Committee, which makes recommendations on appropriations and prepares the Revenue Stabilization Act.

The Revenue Stabilization Act is a companion to the appropriation acts. It specifies how all appropriated funds will be allocated according to priorities. Those items receiving the highest priority are allocated to Section A, the next highest priority to Section B, and the lowest priority projects to Section C. As tax revenues are received, allocations in Section A are funded first, then allocations in Section B, and then those in Section C. In a given year Section A might receive 100 percent funding, Section B, 75 percent funding, and Section C, no funding.

Revenue received by institutions of higher education must be expended in accordance with line item appropriations contained in each institution's appropriation act. Those acts also place limitations on maximum salaries that may be paid to each type of position.

There are no formal links between the funding process and planning and assessment. The funding process takes into account differences in institutional mission.

PERCENT OF BUDGET REQUEST COVERED BY FORMULA PROVISIONS:

General Operating Appropriations: 68 percent

Special Purpose Operating Appropriations: 0 percent

FUNDING PROCEDURES FOR GENERAL OPERATIONS:

Instruction:

Formula Provisions for Credit Instruction:

Basic Model: Student/Faculty Ratios by Salary Rates (for faculty salaries); Cost per FTE (for departmental operating expenses/non-teaching salaries)

Mission Differentiation: Four institutional types are recognized in faculty salary and operating expense rates: Doctoral I, Master's I, Master's II, and Comprehensive Two-Year.

Levels: Five course levels are recognized: lower division, upper division, master's, specialist/professional, doctoral.

Programs/Disciplines: Forty-four programs/disciplines are recognized.

There are faculty workload standards by course level and by instructional program.

Non-Formula Provisions: Non-formula requests require justification and are considered on a case-by-case basis.

Academic Support:

Formula Provisions: General academic support is included in the instruction component of the formula. The library formula is expressed as "A + B (FTE enrollment - FTE base level enrollment)," where "A" is the minimum expenditure requirements for the specified enrollment base and "B" is the marginal cost factor for each FTE student over the enrollment base level. The "B" factor is the same for all institutions in any given year.

Non-Formula Provisions: Non-formula requests require justification and are considered on a case-by-case basis.

Student Services:

Formula Provisions: A cost factor per the average of headcount and FTE enrollment is used, taking an economy of scale clause into account. A percentage of undergraduate tuition revenues are devoted to institutionally awarded student aid.

Non-Formula Provisions: Non-formula requests require justification and are considered on a case-by-case basis.

Institutional Support:

Formula Provisions: A percent of total educational and general expenditures (less transfers) with ranges from 8 percent to 18 percent by type of institution.

Non-Formula Provisions: Non-formula requests require justification and are considered on a case-by-case basis.

Operation and Maintenance of Plant:

Formula Provisions: Cost per educational and general gross square feet adjusted for intensity of usage is applied by type of school. A separate utility formula is based on energy consumption.

Non-Formula Provisions: Non-formula requests require justification and are considered on a case-by-case basis.

Departmental Research:

Formula Provisions: A percent of the formula-generated teaching salary budget. The percent varies by type of institution, and ranges from 8 percent to 17 percent.

Non-Formula Provisions: Non-formula requests require justification and are considered on a case-by-case basis.

General Public Service Activities:

Formula Provisions: A percent of the formula-generated teaching salary budget. The percent varies by type of institution and ranges from 1.5 percent to 3 percent.

Non-Formula Provisions: Non-formula requests require justification and are considered on a case-by-case basis.

General Continuing/Community Education Activities:

Formula Provisions: Off-campus credit instruction is funded at 40 percent of on-campus costs. Non-credit instruction is self supporting. (There are no non-formula provisions.)

FUNDING PROCEDURES FOR SPECIAL PURPOSES:

Statewide Scholarships and Fellowships, Separately Budgeted Research Units, Public Service Units, Continuing/Community Education Units, Medical/Health Science Centers, Experiment Stations, Cooperative Extension Services, and Other Special Purpose Entities:

Non-Formula Provisions: Continuation funding is provided. Further non-formula requests require justification and are considered on a case-by-case basis.

PERCENT OF BUDGET REQUEST FUNDED:

1991-92: 86 percent
1990-91: 82 percent
1989-90: 87 percent

DISTRIBUTION TECHNIQUE WHEN REQUEST IS NOT FULLY FUNDED:

New dollars are allocated in proportion to the request. The Revenue Stabilization Act protects the base and new dollars are allocated per formula recommendation.

REALLOCATION TECHNIQUE FOR MID-YEAR BUDGET CUTS:

Reductions are in proportion to a college's share of the total apropriation.

PROCESS FOR ESTIMATING SELF-GENERATED REVENUE:

A policy-generated tuition rate is multiplied by FTE enrollment estimates. Estimates of other income are added.

TUITION AND FEES POLICIES:

In-State Student Rates: 25 to 30 percent of cost, with the SREB median used as a gauge.

Out-of-State Student Rates: Are increased the same percentage as in-state student rates with the SREB median used as a gauge.

USE OF EXTERNAL INFORMATION:

The SREB-State Data Exchange faculty salaries and tuition rates are used as are the Consumer Price Index, Higher Education Price Index, and the Wharton Econometric Model inflation rates. The College and University Personnel Association salary survey is used for line-item-maximum salary recommendations.

YEAR THAT BASIC METHOD FOR BUDGETING WAS ADOPTED:

1977-78 (There have been no major revisions.)

SUMMARY OF REVISIONS OF BUDGETING METHODS ENACTED SINCE 1991-92 OR UNDER CONSIDERATION:

Incentive funding provisions, based on output measures such as retention, graduation rates, alumni satisfaction, and administrative efficiencies are being considered.

BUDGET CONTROL/BUDGET FLEXIBILITY (Which level of management can legally authorize transfer of funds):

	Institutional Officers/ Governing Board	Statewide Coordinating/ Governing Board	Executive Branch	Legislative Branch
Among Functions (instruction, student services, etc.)				
Among Objects (salaries, equipment, etc.)			x	
Line Items (desegregation, research institute, etc.)				

Institutional revenues must be expended in accordance with line item appropriations.

FLORIDA UNIVERSITIES

(includes health science centers, experiment/extension centers, and statewide programs)

Contact Person

Bob Henker
Associate Vice Chancellor,
Director of Budgets
904-488-6370

State University System
325 West Gaines Street
Tallahassee, Florida 32399-1950

FUNDING METHODS AND PHASES:

Phase	Participants		
	State Agency	Governor	Legislature
Request			
Institutional Level	Formula Plus*		
System Level	Formula Plus*		
Review & Recommend			
Institutional Level	Formula Plus*		
System Level	Formula Plus*	Formula Plus*	Formula Plus*
Appropriation			
Institutional Level			
System Level			Formula Plus*
Allocation to Institutions	Formula Plus*		

* Formula plus special requests.

The University System uses one set of formulas or guidelines for requesting, recommending, and allocating funds. Different formulas are used by the Governor and Legislature for recommending and appropriating funds.

The allocation formula is described here.

DESCRIPTION OF THE BUDGETING PROCESS:

The budget is divided into four sections: "Base" items include adjustments to the current year, full funding of the prior year, and inflation or deflation factors; "Workload" items include enrollment growth, funding for the addition of new space, library resources, replacement equipment, time-limited start up funds for specific new programs, and additional availability of trust funds, if any; "Unique Issues" includes the movement of programs and resources between or among state agencies and universities; and "Improved and New Programs" includes everything else. Elements of the base funding are determined incrementally, while funding for workload changes and improvements are formula driven.

The Board of Regents' Budget Office prepares the official request and allocation which are approved by the Board of Regents. The institution prepares a request for improved and new programs and submits it based upon a distribution of funds which has been predetermined by formulas. Each university has the latitude to submit "special issues" based on their mission and priorities.

There are no formal links between the funding process and planning and assessment.

PERCENT OF BUDGET REQUEST COVERED BY FORMULA PROVISIONS:

General Operating Appropriations: 95 percent

Special Purpose Operating Appropriations: 5 percent

FUNDING PROCEDURES FOR GENERAL OPERATIONS:

Instruction:

Formula Provisions for Credit Instruction:

Basic Model: Student/Faculty Ratios by Salary Rates. A "Cost per FTE" model is used for data processing services, operating capital outlay for equipment, and student and temporary employees.

Mission Differentiation: Each university has its own average faculty salary rate.

Levels: Four course levels (lower division, upper division, graduate (course-taking), and graduate (thesis-dissertation).

Programs/Disciplines: Three groupings of programs based on CIP codes. Low, medium, and high cost, based on "volume"–large, medium, small class size.

Non-Formula Provisions: Special requests from presidents are submitted for approval by the Board of Regents.

Academic Support:

Formula Provisions: A modified version of the state of Washington library formula is used. Library operating funds are requested and allocated based on students, faculty and support positions, inventory, new purchases, and number of branch campuses. (There are no non-formula provisions.)

Student Services:

Formula Provisions: FTE students and Fall headcount divided by two are used for requesting and allocating funds. (There are no non-formula provisions.)

Institutional Support:

Formula Provisions: A base dollar amount plus a percentage of the instruction and research program component. (There are no non-formula provisions.)

Operation and Maintenance of Plant:

Formula Provisions: Rates per gross square foot for utilities, maintenance, janitorial services, grounds, and administration are established. (There are no non-formula provisions.)

Departmental Research:

Formula Provisions: Included as a part of the budget for instruction, with specific weights by disciplines (CIP-defined). (There are no non-formula provisions.)

General Public Service Activities:

Formula Provisions: Included as a part of instruction within the departmental research component. (There are no non-formula components.)

General Continuing/Community Education Activities:

No specific funding provided.

FUNDING PROCEDURES FOR SPECIAL PURPOSES:

Statewide Scholarships and Fellowships:

Formula Provisions: Prior year students with fellowships or assistantships working a minimum of quarter-time receive funding for 24 credit hours. (There are no non-formula provisions.)

Separately Budgeted Public Service Units:

Non-Formula Provisions: Base funding plus inflation is provided. (There are no formula provisions.)

Separately Budgeted Research or Continuing/Community Education Units:

There are no separately budgeted units.

Medical/Health Science Centers:

Non-Formula Provisions: Base funding plus inflation and workload adjustments. (There are no formula provisions.)

Experiment Stations:

Non-Formula Provisions: Base funding plus inflation and workload adjustments. (There are no formula provisions.)

Cooperative Extension Services:

Non-Formula Provisions: Base funding plus inflation and workload adjustments. (There are no formula provisions.)

PERCENT OF BUDGET REQUEST FUNDED:

1991-92:	80 percent
1990-91:	87 percent
1989-90:	97 percent

DISTRIBUTION TECHNIQUE WHEN REQUEST IS NOT FULLY FUNDED:

- Protect Base Plus Line Item Increases
- New Dollars in Proportion to Request

REALLOCATION TECHNIQUE FOR MID-YEAR BUDGET CUTS:

If the appropriation is cut a certain percent, then each university's funding is cut by that percent.

PROCESS FOR ESTIMATING SELF-GENERATED REVENUE:

- Computed Fee Rate Times FTE
- Prior Year Actual Collections
- Estimated Investment Income

TUITION AND FEES POLICIES:

In-State Students: Undergraduate tuition is to cover 25 percent of the cost of instruction. Graduate tuition increases at the same rate as undergraduate.

Out-of-State Students: Undergraduate tuition is to cover 100 percent of the cost of instruction. Graduate tuition increases at the same rate as undergraduate.

USE OF EXTERNAL INFORMATION:

American Association of University Professors, Oklahoma State University, and SREB data are used to provide comparative perspective to the budgetary decision-making process. The Consumer Price Index is used to adjust formula components with dollar values.

YEAR THAT BASIC METHOD FOR BUDGETING WAS ADOPTED:

1962-63 (The last major revision was in 1987-88.)

SUMMARY OF REVISIONS OF BUDGETING METHODS ENACTED SINCE 1991-92 OR UNDER CONSIDERATION:

The 1993-94 General Appropriations Act required the Board of Regents to develop, by January 1, 1994, a new funding model for requesting, appropriating, and allocating resources on an equitable, mission-oriented basis.

BUDGET CONTROL/BUDGET FLEXIBILITY (Which level of management can legally authorize transfer of funds):

	Institutional Officers/ Governing Board	Statewide Coordinating/ Governing Board	Executive Branch	Legislative Branch
Among Functions (instruction, student services, etc.)		x		
Among Objects (salaries, equipment, etc.)	x			
Line Items (desegregation, research institute, etc.)			x	
Other (maximum or minimum salary increase for individual employees or employee groups.)				x

The control is by fund. The Executive Office of the Governor releases "lump sum" and "special category" appropriations on a quarterly basis to the State of Florida's Comptroller. The Board of Regents' Budget Office, in consultation with the nine universities, provides the comptroller with a distribution plan of the lump sums by major category and university. The State Comptroller will not process vouchers for amounts greater than available funds in the categories, thereby exercising control. The Board of Regents' Budget Office works with universities and Comptroller on a regular basis to transfer funds as necessary among categories during each quarter.

FLORIDA COMMUNITY COLLEGES

Contact Person

Edward L. Cisek
Deputy Executive Director
904-488-7926

Division of Community Colleges
1314 Florida Education Center
Tallahassee, Florida 32399-0400

FUNDING METHODS AND PHASES:

Phase	Participants		
	State Agency	Governor	Legislature
Request			
Institutional Level	Formula*		
System Level			
Review & Recommend			
Institutional Level		Formula*	Formula*
System Level			
Appropriation			
Institutional Level			Formula*
System Level			
Allocation to Institutions			

* Formula applies to funds for new enrollment only.

DESCRIPTION OF THE BUDGETING PROCESS:

The process is a "base plus" system. To a college's base budget, funding is added for inflationary increases, enrollment level, facility operations and qualitative improvements. The only linkages between the funding process and planning and assessment are found within allocations for qualitative improvements. The budget request and the resulting appropriations are made at the institutional level. Appropriations to each college are lump sum. The colleges control their own internal resource allocation.

PERCENT OF BUDGET REQUEST COVERED BY FORMULA PROVISIONS:

Only the requested increase is based on formula calculations

FUNDING PROCEDURES FOR GENERAL OPERATIONS:

Instruction:

Formula Provisions for Credit Instruction:

Basic Model: Cost per FTE *(for new enrollment only)*. The formula for the request for funds for new enrollment is a "full-cost" model, not a functional model. Using prior year enrollment, the direct instructional cost per FTE for each discipline is determined. This result is multiplied times 1.3 for academic support costs. This amount per FTE is multiplied by the annual projected change in enrollment based on the prior year.

Programs/Disciplines: There are six program areas for which funding adjustments are made: advanced and professional (AA), postsecondary vocational (AS), postsecondary adult and vocational (certificate), supplemental vocational, college preparatory, and adult education.

Non-Formula Provisions: Continuation costs (salaries with price-level increases) are applied to the base budget for each college. The base budget is derived from an annual cost analysis and consists of items funded from general revenues, lottery funds, and student fees. The salary and price-level increases are determined by the Legislative Appropriations Committee for all state-funded programs. Requests for funds for programs or salary enhancements are based on policies determined by the State Board of Community Colleges and are applied to the base budgets.

Academic Support, Student Services, Institutional Support:

See "Instruction."

Operation and Maintenance of Plant:

Formula Provisions: For new facilities only, the actual cost per square foot is multiplied by the number of new gross square feet.

PERCENT OF BUDGET REQUEST FUNDED:

1991-92: 82 percent
1990-91: 98 percent
1989-90: 90 percent

DISTRIBUTION TECHNIQUE WHEN REQUEST IS NOT FULLY FUNDED:

Elimination of selected items and proportional reductions.

REALLOCATION TECHNIQUE FOR MID-YEAR BUDGET CUTS:

Proportional reduction by fund source.

PROCESS FOR ESTIMATING SELF-GENERATED REVENUE:

Computed fee rate times FTE.

TUITION AND FEES POLICIES:

In-State Students: 25 percent of cost.

Out-of-State Students: 100 percent of cost.

USE OF EXTERNAL INFORMATION:

SREB faculty salary information for competitive salary adjustment request.

YEAR THAT BASIC METHOD FOR BUDGETING WAS ADOPTED:

1990-91 (There have been no major revisions.)

SUMMARY OF REVISIONS OF BUDGETING METHODS ENACTED SINCE 1991-92 OR UNDER CONSIDERATION:

The support factor added to direct instructional cost to calculate workload funding per FTE is being reviewed for an increase. A seventh program area (postsecondary vocational health) may be added.

BUDGET CONTROL/BUDGET FLEXIBILITY (Which level of management can legally authorize transfer of funds):

	Institutional Officers/ Governing Board	Statewide Coordinating/ Governing Board	Executive Branch	Legislative Branch
Among Functions (instruction, student services, etc.)	x			
Among Objects (salaries, equipment, etc.)	x			
Line Items (desegregation, research institute, etc.)	x			
Other				x *

* The legislature may indicate limitations on salary increases and related items through "expressed intent" which is not legally binding.

GEORGIA COLLEGES AND UNIVERSITIES

(Includes two-year colleges, health science centers, and experiment/extension centers)

Contact Person

C. Roger Mosshart
Assistant Vice Chancellor for
Fiscal Affairs-Budget
404-656-2233

Georgia Board of Regents
244 Washington St., SW
Atlanta, Georgia 30334

FUNDING METHODS AND PHASES:

Phase	Participants		
	Board of Regents	Governor	Legislature
Request			
Institutional Level	Justification		
System Level	Formula		
Review & Recommend			
Institutional Level	Justification		
System Level	Formula	Formula	Formula
Appropriation			
Institutional Level			
System Level			Formula
Allocation to Institutions	Justification		

DESCRIPTION OF THE BUDGETING PROCESS:

The Board of Regents submits a consolidated systemwide request for its 34 campuses using a formula approach. The governor and the legislature review this request and may adjust formula factors such as salary rates. Once the appropriation is passed, the Regents use an incremental technique for allocating to the institutions.

PERCENT OF BUDGET REQUEST COVERED BY FORMULA PROVISIONS:

General Operating Appropriations: 100 percent

Special Purpose Operating Appropriations: 0 percent

FUNDING PROCEDURES FOR GENERAL OPERATIONS:

Instruction:

Formula Provisions for Credit Instruction:

Basic Model: Student/Faculty Ratios by Salary Rates.

Levels: Three currently. (Four proposed.)

Programs/Disciplines: Five discipline groups are recognized currently and represent groupings of CIP disciplines. (Twelve groups have been proposed.) (There are no non-formula provisions.)

Academic Support:

Formula Provisions: 17.7 percent of the instruction, research, and service funding base. (There are no non-formula provisions.)

Student Services, Institutional Support:

Formula Provisions: 23.1 percent of the instruction, research, and service funding base. (There are no non-formula provisions.)

Operation and Maintenance of Plant:

Formula Provisions: General operation and maintenance support is on a dollars per gross square foot basis. Utilities are on a separate dollars per gross square foot basis. Major maintenance is on a percentage of building replacement value basis. (There are no non-formula provisions.)

Departmental Research:

Formula Provisions: Included in the Research Component of the formula as a percentage of formula-generated graduate instruction amounts. (There are no non-formula provisions.)

General Public Service Activities:

Formula Provisions: Funding for a base staffing level at each institution. (There are no non-formula provisions.)

General Continuing/Community Education Activities:

Formula Provisions: Salary for a director is provided for each institution. Funds are provided for CEU's on a rate per CEU. (There are no non-formula provisions.)

FUNDING PROCEDURES FOR SPECIAL PURPOSES:

Statewide Scholarships and Fellowships:

Not applicable. This funding is handled by a separate scholarship commission. (There are no non-formula provisions.)

Separately Budgeted Research Units, Public Service Units, Continuing/Community Education Units, Medical/Health Science Centers, Experiment Stations, Cooperative Extension Services:

Non-Formula Provisions: Funding for these separately budgeted units is incremental. (There are no formula provisions.)

PERCENT OF BUDGET REQUEST FUNDED:

1991-92: 91 percent
1990-91: 96 percent
1989-90: 100 percent

DISTRIBUTION TECHNIQUE WHEN REQUEST IS NOT FULLY FUNDED:

The Board of Regents uses a program justification method to best meet the needs of each institution and of the system as a whole.

REALLOCATION TECHNIQUE FOR MID-YEAR BUDGET CUTS:

In proportion to state appropriation.

PROCESS FOR ESTIMATING SELF-GENERATED REVENUE:

Estimate self-generated revenue by percentage of new appropriation. Revenue is almost all (all but about two percent) student fees which represent 25 percent of instructional costs. Indirect cost recoveries are 100 percent retained by institutions above formula.

TUITION AND FEES POLICIES:

In-State Students:

Percent of Cost: Total student fees provide 25 percent of total cost less public service, community education, and major repair and replacement funds.

Out-of-State Students:

Percent of Cost: The non-resident students pay three times what a resident student pays which amounts to approximately 75 percent of cost.

USE OF EXTERNAL INFORMATION:

None in formula which is in use. The proposed formula would utilize the SREB faculty salary averages.

YEAR THAT BASIC METHOD FOR BUDGETING WAS ADOPTED:

1983-84: (A major revision was proposed in 1990-91, but has not been adopted due to state revenue shortfalls.)

SUMMARY OF REVISIONS OF BUDGETING METHODS ENACTED SINCE 1991-92 OR UNDER CONSIDERATION:

Major revisions were adopted in 1990 by the Board of Regents but consideration by the Governor and legislature has been suspended due to fiscal crises. Proposed changes are noted above for each functional category.

BUDGET CONTROL/BUDGET FLEXIBILITY (Which level of management can legally authorize transfer of funds):

	Institutional Officers/ Governing Board	Statewide Coordinating/ Governing Board	Executive Branch	Legislative Branch
Among Functions (instruction, student services, etc.)		x		
Among Objects (salaries, equipment, etc.)				x
Line Items (desegregation, research institute, etc.)				x

52

KENTUCKY COLLEGES AND UNIVERSITIES

(includes two-year colleges, health science centers, experiment/extension centers, and statewide programs)

Contact Person

J. Kenneth Walker
Deputy Executive Director
for Finance
502-564-3553

Council on Higher Education
1050 U.S. 127 South, Suite 101
Frankfort, KY 40601-4395

FUNDING METHODS AND PHASES:

Phase	Participants		
	State Agency	Governor	Legislature
Request			
Institutional Level	Formula		
System Level			
Review & Recommend			
Institutional Level	Formula	Formula	Formula
System Level			
Appropriation			
Institutional Level			Formula
System Level			
Allocation to Institutions			

DESCRIPTION OF THE BUDGETING PROCESS:

The Council on Higher Education develops instructions and updates formulas for institutions to use in preparing biennial budget requests. The institutional budget requests are reviewed by the Council which recommends funding levels for each institution to the Governor and legislature. Each institution receives a "lump sum" direct appropriation.

PERCENT OF BUDGET REQUEST COVERED BY FORMULA PROVISIONS:

General Operating Appropriations: 100 percent

Special Purpose Operating Appropriations: 83 percent

FUNDING PROCEDURES FOR GENERAL OPERATIONS:

Instruction:

Formula Provisions for Credit Instruction:

Basic Model: Per credit hour rates are based on the following: faculty salary factors, student/faculty ratios, departmental operating expense factors, and a fringe benefit rate.

Exclusions/Exceptions: The following are excluded from the instruction calculation: audit credit hours; credit hours reported in CIP disciplines 28 (military sciences), 29 (military technologies), and 39 (theology); post-doctoral students; house staff; summer credit hours for first-professional medicine and dentistry; and non-resident first-professional law, medicine, dentistry students.

Mission Differentiation: A different series of funding rates are used for different categories of institutions based on their missions. Three missions are recognized: community colleges, Kentucky State University (small liberal arts), and other.

Levels: Credit hours are assigned to one of five instructional levels: lower division, upper division, masters, doctoral, and first professional (law, medicine, dentistry). Generally, course level is the basis for assigning credit hours to lower divisions while student classification is the basis for assigning credit hours to the other levels.

Programs/Disciplines: Within levels, credit hours are assigned to one of seventeen "instructional areas." "Instructional areas" represent groupings of CIP disciplines.

Academic Support:

Formula Provisions: (1) The academic support/institutional mission and scope amount is derived by multiplying the instruction subcomponent by the percentage (by type of institution). (2) Funding for Libraries is made up of base funding plus a rate multiplied by the 3-year average student credit hour (by level, from the instruction subcomponent). (3) Preparatory education funding is derived by adding a base figure to (the rate times the number of freshman and sophomores scoring less than 16 on the ACT). (Note: This component is not calculated for the University of Kentucky and the University of Louisville. The ACT score, previously 12, has been adjusted to reflect the comparable score (16) on the enhanced ACT assessment which became effective in Fall 1989). (4) The community education component equals the base amount plus the University of Kentucky Community College System's mandated program base plus an inflation increase. (5) Funding for extended campus centers is made up of a base multiplied by the number of recognized centers. (There are no non-formula provisions.)

Student Services:

Formula Provisions: Funding for student services equals a base plus (a rate times the 3-year average headcount). (There are no non-formula provisions.)

Institutional Support:

Formula Provisions: Institutional support includes other formula components (except unfunded retirement, hospitals, debt service) multiplied by a percentage (by size of institution). (There are no non-formula provisions.)

Operation and Maintenance of Plant:

Formula Provisions: Operation and maintenance of plant equals the sum of custodial and general maintenance (rates times square footage) plus utilities (base year budget times inflation) plus general landscaping and grounds (rates times acres) plus educational and general rentals (budgeted amounts) less 25 percent of sponsored research indirect cost recovery. (There are no non-formula provisions.)

Departmental Research:

Formula Provisions: Departmental research is included in the Instruction subcomponent. Research is the greater of (sponsored research times 30 percent) or a dollar base. (There are no non-formula provisions.)

General Public Service Activities:

Formula Provisions: Community service is the greater of (instruction times 1 percent) or a dollar base. (There are no non-formula provisions.)

General Continuing/Community Education Activities:

Formula Provisions: Included as a subcomponent of Academic Support. (There are no non-formula provisions.)

Other:

(1) Kentucky residency program funding is derived by (faculty times average compensation) plus (house staff times average compensation) plus departmental operating expenses at 15 percent of total compensation. (2) Area health education system funding equals rates times student weeks (by discipline). (3) The salary incentive fund component is composed of base funding increased by inflation. (4) Unfunded retirement is estimated.

FUNDING PROCEDURES FOR SPECIAL PURPOSES:

Statewide Scholarships and Fellowships:

Formula Provisions: Tuition revenue times 7 percent.

Non-Formula Provisions: Funding reported as a SREB special purpose appropriation reflects the appropriation provided to the Kentucky Higher Education Assistance Authority (a state agency). Federally-required matches and legislatively mandated programs adjusted for inflation are provided.

Separately Budgeted Research Units:

Non-Formula Provisions: Mandated programs (those specifically assigned to an institution) equals base year budget increased by inflation. CHE Centers of Excellence funding equals base funding increased by inflation. (There are no formula provisions.)

Separately Budgeted Public Service Units:

Non-Formula Provisions: Mandated programs (those specifically assigned to an institution) equals base year budget increased by inflation. University Press of Kentucky equals base year budget increased by inflation. (There are no formula provisions.)

Separately Budgeted Continuing/Community Education Units:

(There are no formula or non-formula provisions.)

Medical/Health Science Centers:

Formula Provisions: Support for medical and dental instruction is generated as a part of the Instruction subcomponent. Hospitals have a base year budget increased by inflation. A contract among Humana Corporation, the Commonwealth of Kentucky, the City of Louisville, Jefferson County and the University of Louisville is in place to provide indigent care for Jefferson County and a teaching hospital for the University of Louisville. (There are no non-formula provisions.)

Experiment Stations:

Formula Provisions: Agriculture Experiment Station equals (acres multiplied by average state support rate per acre in comparable states) plus fringe benefits. (There are no non-formula provisions.)

Cooperative Extension Services:

Formula Provisions: Agriculture Cooperative Extension equals (counties served multiplied by state support rate per county in comparable states) plus fringe benefits. (There are no non-formula provisions.)

PERCENT OF BUDGET REQUEST FUNDED:

1991-92: 84 percent (reflecting mid-year reduction)
1990-91: 84 percent
1989-90: 84 percent

DISTRIBUTION TECHNIQUE WHEN REQUEST IS NOT FULLY FUNDED:

The Formula Use Policy (FUP) provides for the distribution of funds to continue each institution's base, to provide a common percentage increase for each institution, to provide increases to the lowest funded institutions (toward closing the gap with the institution at the highest percent of funding), and (if additional funds are available) to provide an increase to each institution based on its distance from full funding. A Formula Use Policy Application is approved by the Council each biennium to operationalize the Formula Use Policy (e.g., to specify the "common percentage increase," and the "maximum acceptable gap between the lowest and highest percent of institutional funding") for that biennium.

REALLOCATION TECHNIQUE FOR MID-YEAR BUDGET CUTS:

Mid-year budget cuts which have been required since the development of the Kentucky Appropriation Recommendation Formula and Formula Use Policy (FUP) have been allocated by running the FUP at the reduced funding level.

PROCESS FOR ESTIMATING SELF-GENERATED REVENUE:

The Kentucky Appropriation Recommendation Formula takes into account institutional revenues as follows:

Indirect cost recovery for sponsored research (25 percent) is deducted in the Operation and Maintenance of Plant calculation.

Degree credit tuition revenue is deducted from the bottom-line formula-generated need. This is not an "actual" figure; it is calculated based on estimated tuition rates and three-year average enrollment (as used in the instruction component).

Earnings from the investment of tuition revenue are also deducted from the bottom-line formula-generated need. This, too is a calculated figure based on 30 percent of tuition revenue (calculated above) multiplied by an interest rate.

Earnings from the investment of debt service reserves, federal interest subsidies, and other dedicated revenues are offsets to educational and general debt service requirements.

To the extent that the formula is used by decision-makers in determining state support for higher education, institutionally generated revenues are not a direct factor in the state budget process.

TUITION AND FEES POLICIES:

The current tuition policy expresses resident undergraduate tuition as a percentage of Kentucky's per capita personal income. Resident graduate tuition rates are expressed as a percentage of the resident undergraduate rates. Nonresident undergraduate and graduate rates are expressed as a percentage of resident tuition. A resident undergraduate percentage of per capita income rate is set for each type of institution (doctoral, master's, and community colleges) based on the median of tuition as a percent of per capita personal income for each set of benchmark institutions.

USE OF EXTERNAL INFORMATION:

Various Components: Projected Consumer Price Index (CPI) is used to increase base year budgeted amounts. Additionally, since the Kentucky Appropriation Recommendation Formula is calculated for a base year as well as two request years, CPI is used to increase rates from year to year.

Instruction: Rates per student credit hour include faculty salary factors based on average faculty salaries at Kentucky's benchmark institutions (comparable institutions in surrounding states).

Kentucky Residency Program: Average compensation rates for faculty are based on benchmark figures. Average compensation rates for house staff are based on house staff salaries at similar institutions.

Agriculture Experiment Station: Rate per acre is based on state support for agriculture experiment stations in comparable states (SREB and contiguous states with farm income per acre similar to Kentucky).

Agriculture Cooperative Extension: Rate per county is based on state support for agriculture cooperative extension programs in comparable states (SREB and contiguous states with a number of counties similar to Kentucky).

YEAR THAT BASIC METHOD FOR BUDGETING WAS ADOPTED:

1983-84 (The last major revision was in 1989-90.)

SUMMARY OF REVISIONS OF BUDGETING METHODS ENACTED SINCE 1991-92 OR UNDER CONSIDERATION:

The Council is considering reviewing the formula to transfer from input-driven to an output-driven basis for 1994-95.

BUDGET CONTROL/BUDGET FLEXIBILITY (Which level of management can legally authorize transfer of funds):

	Institutional Officers/ Governing Board	Statewide Coordinating/ Governing Board	Executive Branch	Legislative Branch
Among Functions (instruction, student services, etc.)	x			
Among Objects (salaries, equipment, etc.)	x			
Line Items (desegregation, research institute, etc.)				

LOUISIANA COLLEGES AND UNIVERSITIES

(includes two-year colleges)

Contact Person

Michael Galloway
Coordinator, The Budget
504-342-4253

Board of Regents
150 Riverside Mall, Suite 129
Baton Rouge, LA 70801

FUNDING METHODS AND PHASES:

Phase	Participants		
	State Agency	Governor	Legislature
Request			
Institutional Level	Formula Plus*		
System Level			
Review & Recommend			
Institutional Level	Formula Plus*	Formula Plus*	Formula Plus*
System Level			
Appropriation			
Institutional Level			Formula Plus*
System Level			
Allocation to Institutions			

* Formula plus line items and special requests.

DESCRIPTION OF THE BUDGETING PROCESS:

Institutions submit budget requests through management boards to the Louisiana State Board of Regents using both the state appropriation formula and individual program justification for non-formula units. The legislature appropriates funds on a lump-sum basis to formula units, which internally budget these funds according to institutional priority. The formula is revised annually to reflect the regional average for state funding per student after the institutions budget their lump sum appropriations. These budgets are then submitted through the management boards to the Regents.

PERCENT OF BUDGET REQUEST COVERED BY FORMULA PROVISIONS:

General Operating Appropriations: 56 percent

Special Purpose Operating Appropriations: 0 percent

FUNDING PROCEDURES FOR GENERAL OPERATIONS:

Instruction:

Formula Provisions for Credit Instruction:

Basic Model: Cost per Student Credit Hour.

Mission Differentiation: Five SREB peer groups.

Levels: Six course levels (undergraduate lower division, undergraduate upper division, master's, law, specialist, doctorate).

Programs/Disciplines: Five academic discipline groupings (low cost general academic, high cost general academic, nursing, pharmacy, and law) are recognized.

Non-Formula Provisions: LSU Medical Center and the Center For Agriculture are funded on a line-item, object detail approach; other non-formula items of formula campuses are requested by need and reviewed by the Board of Regents in order to establish recommendation.

Academic Support:

Formula Provisions: Weighted factor of instructional/research costs per student credit hour. (There are no non-formula provisions.)

Student Services:

Formula Provisions: Cost per student credit hour value based on regional studies. (There are no non-formula provisions.)

Institutional Support:

Formula Provisions: Cost per student credit hour value based on regional studies. (There are no non-formula provisions.)

Operation and Maintenance of Plant:

Formula Provisions: Space funding rate adjusted by a utilization factor per academic gross square foot. Utility factor is based on the average of the past 5 years' costs. (There are no non-formula provisions.)

Departmental Research:

Formula Provisions: Weighted factor of instructional costs.

Non-Formula Provisions: Special requests.

General Public Service Activities:

Formula Provisions: Cost per student credit hour value based on regional studies.

Non-Formula Provisions: Special requests by formula units; line-item for Agriculture Center.

General Continuing/Community Education Activities:

Formula Provisions: Cost per student credit hour value based on regional studies.

Non-Formula Provisions: Requests by formula units.

FUNDING PROCEDURES FOR SPECIAL PURPOSES:

Statewide Scholarships and Fellowships:

Non-Formula Provisions: The Governor's Special Commission has a student aid budget.

Separately Budgeted Research Units:

Non-Formula Provisions: Line item/object detail by institution request. (There are no formula provisions.)

Separately Budgeted Public Service Units:

Non-Formula Provisions: Line item/object detail by institution request. (There are no formula provisions.)

Separately Budgeted Continuing/Community Education Units:

Non-Formula Provisions: Line item/object detail by institution request. (There are no formula provisions.)

Medical/Health Science Centers:

Non-Formula Provisions: Line item/object detail by institution request. (There are no formula provisions.)

Experiment Stations/Cooperative Extension Services:

Non-Formula Provisions: Line item/object detail by institution request. (There are no formula provisions.)

Other Special Purpose Entities:

Non-Formula Provisions: Line item request. (There are no formula provisions.)

PERCENT OF BUDGET REQUEST FUNDED:

1991-92: 67 percent
1990-91: 64 percent
1989-90: 62 percent

DISTRIBUTION TECHNIQUE WHEN REQUEST IS NOT FULLY FUNDED:

- Protect Base Plus Line Item Increases
- Protect Base Plus Equal Percent Increase

REALLOCATION TECHNIQUE FOR MID-YEAR BUDGET CUTS:

Line item/percentile reduction. Each line is reduced in proportion to the overall cut.

PROCESS FOR ESTIMATING SELF-GENERATED REVENUE:

Computed Fee Rate Times FTE: Based on respective management board policies, institutions estimate the self generated revenues in relation with expected enrollment trends/other sources.

TUITION AND FEES POLICIES:

All student fees are set by the management boards based on revenue needs.

USE OF EXTERNAL INFORMATION:

Used in formula review, operating and budget request review, standard use is as comparison measurements by which to establish Louisiana ranking in the southern region.

YEAR THAT BASIC METHOD FOR BUDGETING WAS ADOPTED:

1970-71 (The last major revision was in 1989-90.)

SUMMARY OF REVISIONS OF BUDGETING METHODS ENACTED SINCE 1991-92 OR UNDER CONSIDERATION:

Due to state revenue shortfalls in the last several years, the formula has not been used. Funding has been essentially incremental with remnants of the formula in place. Starting in 1993-94, state appropriations were in lump sum to the three management boards rather than institution-by-institution amounts. Defining student level and student credit hour by establishing major disciplinary areas as has already been done with Nursing/ Pharmacy/Law; update/redefine Operation of Plant and Maintenance (OP&M) values based on building age, etc.; internally established tier levels of SREB categories so that institutions are phased in.

BUDGET CONTROL/BUDGET FLEXIBILITY (Which level of management can legally authorize transfer of funds):

	Institutional Officers/ Governing Board	Statewide Coordinating/ Governing Board	Executive Branch	Legislative Branch
Among Functions (instruction, student services, etc.)				x
Among Objects (salaries, equipment, etc.)				x
Line Items (desegregation, research institute, etc.)				x

MARYLAND FOUR-YEAR COLLEGES AND UNIVERSITIES

(includes health science centers and experiment/extension centers)

Contact Person

Bruce Wartel
Finance Analyst
410-974-3514

Maryland Higher Education Commission
16 Francis Street
Annapolis, MD 21401

FUNDING METHODS AND PHASES:

Phase	Participants		
	State Agency	Governor	Legislature
Request			
Institutional Level	Justification Plus*		
System Level	Justification Plus*		
Review & Recommend			
Institutional Level		Justification Plus*	Justification Plus*
System Level		Justification Plus*	Justification Plus*
Appropriation			
Institutional Level			Justification Plus*
System Level			
Allocation to Institutions			

* Programmatic justification plus line item targeting.

DESCRIPTION OF THE BUDGETING PROCESS:

The institutional budget process begins in February/March as departments and schools assemble their requests. These filter up to the directors of budgeting at each institution. Then a period of questions and answers begins between department chairs and institutional budget staff or other interested parties.

The directors of budgeting, the presidents, and others decide on an institutional budget using the guidelines provided by the Department of Budget and Fiscal Planning. The president then presents the Current People's Service (C.P.S.) budget (actually a "base" budget) and "Over-the-C.P.S." budget (enhancements) to the Board of Regents for approval in July of each year. Some modifications may be made by the Board of Regents. The Board usually approves the budgets in an August meeting.

The Board of Regents then sends the C.P.S. and over-the-CPS budgets to the Department of Budget and Fiscal Planning (DBFP); the executive's budget officers; the Maryland Higher Education Commission; the Department of Fiscal Services, and the legislative budget officers.

DBFP reviews the C.P.S. budget in a technical fashion (i.e.: worker's compensation rates, utility rates, the amount included for merit increases, etc.) and sets the general fund component of the particular budget. DBFP also reviews, but rarely revises, other revenue sources of an institution's budget. Additionally, DBFP reviews and recommends

if components of the over-the-C.P.S. budget (enhancements) should be funded. The questions posed as DBFP examines the budgets are: Does the budget conform to the technical requirements of state budgeting? Does the request for enhancement have merit?

The Maryland Higher Education Commission reviews the C.P.S. and over-the-C.P.S. budgets in a more comparative and programmatic manner. The primary question posed is: How do these budgets meet the State's most pressing needs? The Commission also asks: Does this over-the-C.P.S. request conform to the institution's mission? The Commission has hearings in October, with the institutions making presentations, and issues funding priorities for the upcoming fiscal year in November.

The Department of Fiscal Services reviews the budgets solely for informational purposes. It does not make recommendations regarding the C.P.S. and over-the-C.P.S. budgets until the legislative session (January-April each year).

The Governor has hearings with each agency in November or December each year to decide the appropriateness of each agency's budget request and enhancement request. He is advised by his staff, the Department of Budget and Fiscal Planning, and the Secretary of Higher Education.

In January, the Governor issues an allowance for each institution. This contains the total amount of funds (i.e.; general funds, tuition and fees, indirect cost recoveries, restricted research grants, etc.). The institution will be entitled to raise and spend, by program (i.e., instruction, academic support, etc.) and by object (i.e., salaries, fringe benefits, etc.). The number of state-authorized position lines is also included in this document. The institutions, however, have the power to move money freely within their budgets without executive or legislative approval.

The legislative staff (the Department of Fiscal Services) examines these budgets and recommends funding levels for each institution. The Committees determine funding levels and pass these recommendations on to their respective houses. The decision of the houses (after conference committee) is the appropriation. The Governor cannot veto the appropriations bill.

The executive maintains the power to reduce appropriations up to 25 percent in times of fiscal emergency. He has exercised this power in fiscal years 1991, 1992, and 1993.

FUNDING PROCEDURES FOR GENERAL OPERATIONS:

See "Description of the Budgeting Process" above.

FUNDING PROCEDURES FOR SPECIAL PURPOSES:

See "Description of the Budgeting Process" above.

PERCENT OF BUDGET REQUEST FUNDED:

1991-92: 99 Percent (not counting large mid-year cut)
1990-91: 97 Percent (not counting large mid-year cut)
1989-90: 102 Percent

DISTRIBUTION TECHNIQUE WHEN REQUEST IS NOT FULLY FUNDED:

Legislative action determines the distribution of funds.

REALLOCATION TECHNIQUE FOR MID-YEAR BUDGET CUTS:

The Executive can designate an amount to be returned as a target for Governing Boards, who would then set amounts for the campuses.

PROCESS FOR ESTIMATING SELF-GENERATED REVENUE:

The institutions estimate self-generated revenue. The Executive's budget department (Department of Budget and Fiscal Planning) reviews these for appropriateness when request budgets are reviewed in September each year.

TUITION AND FEES POLICIES:

Tuition and fees are the purview of the institutions themselves.

USE OF EXTERNAL INFORMATION:

While peer comparisons were envisioned as guides for funding, the Commission and the Legislature has abandoned the peer approach.

YEAR THAT BASIC METHOD FOR BUDGETING WAS ADOPTED:

1989-90 (There have been no major revisions.)

SUMMARY OF REVISIONS OF BUDGETING METHODS ENACTED SINCE 1991-92 OR UNDER CONSIDERATION:

Maryland's reorganization of higher education in 1988 did not significantly change the incremental-type (with specific targeting) budgeting at the Commission, legislative, or executive levels. The only area where change may occur is targeting. The Maryland Higher Education Commission has emphasized targeting to the legislature which has been viewing it more favorably each year.

BUDGET CONTROL/BUDGET FLEXIBILITY (Which level of management can legally authorize transfer of funds):

	Institutional Officers/ Governing Board	Statewide Coordinating/ Governing Board	Executive Branch	Legislative Branch
Among Functions (instruction, student services, etc.)	x			
Among Objects (salaries, equipment, etc.)	x			
Line Items (desegregation, research institute, etc.)		x		

MARYLAND TWO-YEAR COLLEGES

Contact Person

Ronald Phipps
Assistant Secretary
Division of Planning and
Academic Affairs
410-974-2971

Maryland Higher Education Commission
16 Francis Street
Annapolis, MD 21401

FUNDING METHODS AND PHASES:

Phase	Participants		
	State Agency	Governor	Legislature
Request			
Institutional Level	Formula		
System Level			
Review & Recommend			
Institutional Level	Formula	Formula	Formula
System Level			
Appropriation			
Institutional Level			Formula
System Level			
Allocation to Institutions			

DESCRIPTION OF THE BUDGETING PROCESS:

The community colleges receive state aid based on a legislatively enacted formula. The formula was revised during the 1991 session of the General Assembly, and became effective as of FY 1993. (There are no formal links between funding process and planning and assessment.)

PERCENT OF BUDGET REQUEST COVERED BY FORMULA PROVISIONS:

Community colleges are not funded under a request budget. They receive state funds based on a formula calculation.

FUNDING PROCEDURES FOR GENERAL OPERATIONS:

Formula Provisions for Credit Instruction:

Basic Model: Grant per FTE which includes both credit and non-credit activity. (There are no non-formula provisions).

FUNDING PROCEDURES FOR SPECIAL PURPOSES:

One half of 1 percent of total funds are set aside for specific development projects selected through a review of proposals.

REALLOCATION TECHNIQUE FOR MID-YEAR BUDGET CUTS:

Prorated on the basis of an individual college's proportion of the total state appropriation.

PROCESS FOR ESTIMATING SELF-GENERATED REVENUE:

The community colleges submit detailed budget reports containing this information to the Commission annually.

TUITION AND FEES POLICIES:

Determined at the institutional level.

YEAR THAT BASIC METHOD FOR BUDGETING WAS ADOPTED:

Mid-1970s (The last major revision was in 1991-92.)

BUDGET CONTROL/BUDGET FLEXIBILITY (Which level of management can legally authorize transfer of funds):

	Institutional Officers/ Governing Board	Statewide Coordinating/ Governing Board	Executive Branch	Legislative Branch
Among Functions (instruction, student services, etc.)	x			
Among Objects (salaries, equipment, etc.)	x			
Line Items (desegregation, research institute, etc.)	x			

MISSISSIPPI FOUR-YEAR COLLEGES AND UNIVERSITIES

Contact Person

Lucy K. Lott
Associate Commissioner
for Finance and Planning
601-982-6620

Board of Trustees of
State Institutions of Higher Learning
3825 Ridgewood Road
Jackson, MS 39211

FUNDING METHODS AND PHASES:

Phase	Participants		
	State Agency	Governor	Legislature
Request			
Institutional Level			
System Level	Formula		
Review & Recommend			
Institutional Level			
System Level		Justification	Justification
Appropriation			
Institutional Level			
System Level			Justification
Allocation to Institutions	Formula		

DESCRIPTION OF THE BUDGETING PROCESS:

The funding formula is used to generate the request for state funding. After the appropriation is made the formula is used to allocate the appropriation to each of the eight universities. The state legislature also approves separate line items for appropriation, as well as eleven separate units (experiment station, cooperative extension, medical center, etc.).

PERCENT OF BUDGET REQUEST COVERED BY FORMULA PROVISIONS:

General Operating Appropriations: 98 percent.

Special Purpose Operating Appropriations: 0 percent.

FUNDING PROCEDURES FOR GENERAL OPERATIONS:

Instruction:

Formula Provisions for Credit Instruction:

Basic Model: Per credit hour rates are based on the following: faculty salary factors, student/faculty ratios, departmental operating expense factors, and a fringe benefit rate.

Exclusions/Exceptions: Requests for off-campus instructional funding is developed from the same formula, but it is calculated separately from the main on-campus unit to which the off-campus unit belongs.

Mission Differentiation: There are three missions recognized for average faculty salary rates based on SREB-State Data Exchange institutional groupings.

Levels: There are three levels of formula provisions for credit instruction (lower, upper, and graduate).

Programs/Disciplines: The fifty broad CIP categories are reorganized into 20 categories.

Non-Formula Provisions: (See Continuing Education)

Academic Support:

Formula Provisions: Funding for libraries is based on a percentage of required holdings as per the Association of College and Research Libraries formula for the library, with a base amount for staff. Academic administration is based on a percent of instruction, research, and public service. (There are no non-formula provisions.)

Student Services:

Formula Provisions: Base level funding for each institution with additional amounts per headcount student and full-time-equivalent student. Scholarships are funded based on a percentage of expected self-generated revenue from tuition. (There are no non-formula provisions.)

Institutional Support:

Formula Provisions: These functions are funded as a percentage of total instruction, research, and public service. (There are no non-formula provisions.)

Operation and Maintenance of Plant:

Formula Provisions: General operations and maintenance is funded using four separate dollars per gross square foot rates for (1) in- or out-of-use, and (2) historical or non-historical buildings with percentage adjustments for high intensity use.

Non-Formula Provisions: Utilities and water/sewer are funded at prior year actual expenditures with percentage adjustments for inflation.

Departmental Research:

Formula Provisions: Funded based on dollar amount per doctorate degree conferred, with amount per degree based on individual discipline. (There are no non-formula provisions.)

General Public Service Activities:

Non-Formula Provisions: Funded at a base amount determined by each university's mission. (There are no formula provisions.)

General Continuing/Community Education Activities:

Formula Provisions: Credit continuing education is funded through the instructional portion of formula process.

Non-Formula Provisions: Non-credit type continuing education is considered a self-supporting instructional activity.

FUNDING PROCEDURES FOR SPECIAL PURPOSES:

Statewide Scholarships and Fellowships, Separately Budgeted Research Units, Public Service Units, Continuing/Community Education Units, Medical/Health Science Centers, Experiment Stations, Cooperative Extension Services, and Other Special Purpose Entities:

Non-formula Provisions: Each separate unit determines its need which is approved by the Board of Trustees. The Legislature separately appropriates to these units. (There are no formula provisions.)

PERCENT OF BUDGET REQUEST FUNDED:

1991-92:	79 percent
1990-91:	82 percent
1989-90:	84 percent

DISTRIBUTION TECHNIQUE WHEN REQUEST IS NOT FULLY FUNDED:

If not fully funded, the formula allocation to the universities is in proportion to their original requests. For separately budgeted units, the legislature appropriates at a specific level based upon its determination.

REALLOCATION TECHNIQUE FOR MID-YEAR BUDGET CUTS:

The specific percentage of across-the-board cuts is determined and each university is to develop a plan of the most equitable areas to cut, based on guidelines set up by the Board of Trustees. The universities then submit their plans for approval.

PROCESS FOR ESTIMATING SELF-GENERATED REVENUE:

Computed Fee Rate times Full-Time Equivalent Student: Self-generated revenue is determined by multiplying the prior year full-time equivalent enrollment times the applicable tuition level per school.

TUITION AND FEES POLICIES:

In-State Students: Tuition level is determined based on formula for the comprehensive institutions then broken down to other institutions based on the percent of average salary attributable to that institution.

Out-of-State Students: Tuition level is governed by state statute. Tuition charged to out-of-state students must match appropriation per student.

USE OF EXTERNAL INFORMATION:

In the calculation of the instructional component, regional averages are utilized to arrive at different components of instruction. These averages include staffing ratios and average faculty salaries.

YEAR THAT BASIC METHOD FOR BUDGETING WAS ADOPTED:

1987-88 (Only minor adjustments have been implemented each year since.)

SUMMARY OF REVISIONS OF BUDGETING METHODS ENACTED SINCE 1991-92 OR UNDER CONSIDERATION:

The Board directed a study during 1993-94 including, but not limited to, institutional groupings, self-generated income, operation and maintenance of plant, and variations in funding by student level.

BUDGET CONTROL/BUDGET FLEXIBILITY (Which level of management can legally authorize transfer of funds):

	Institutional Officers/ Governing Board	Statewide Coordinating/ Governing Board	Executive Branch	Legislative Branch
Among Functions (instruction, student services, etc.)		x		
Among Objects (salaries, equipment, etc.)		x		
Line Items (desegregation, research institutes, medical centers, etc.)				x

MISSISSIPPI TWO-YEAR COLLEGES

Contact Person

Deborah J. Gilbert
Director of Finance
601-982-6518

State Board for Community & Junior Colleges
3825 Ridgewood Road
Jackson MS 39211

FUNDING METHODS AND PHASES:

Phase	Participants		
	State Agency	Governor	Legislature
Request			
Institutional Level			
System Level	Formula Plus*		
Review & Recommend			
Institutional Level			
System Level	Justification	Justification	Justification
Appropriation			
Institutional Level			
System Level			Justification
Allocation to Institutions	Formula Plus*		

* Justification for program enhancements such as to reach the mid-point between public school and university salary averages.

DESCRIPTION OF THE BUDGETING PROCESS:

Mississippi's 15 public community and junior colleges submit individual budget requests to the State Board. The State Board compiles them into a single composite request which is submitted to the legislature annually.

Funding levels in the budget are updated for inflation, enrollment growth, new programs, special improvements, salary increases, etc.

PERCENT OF BUDGET REQUEST COVERED BY FORMULA PROVISIONS:

General Operating Appropriations: 41 percent.

Special Purpose Operating Appropriations: Not applicable.

Note: 100 percent of the state appropriation is covered by formula provisions, but the state appropriation represents only 41 percent of the instruction and support budget.

FUNDING PROCEDURES FOR GENERAL OPERATIONS:

Formula Provisions:

Basic Model: Cost per full-time equivalent student.

Exclusions/Exceptions: A base amount of the state appropriation (in FY92 approximately 4 percent of the prior year's appropriation) is allocated to each of the 15 institutions equally.

Programs/Disciplines: There are five programs/disciplines: academic, technical, vocational, part-time academic, and associate degree nursing.

Non-Formula Provisions:

Non-formula decisions are made at another state agency level for vocational-technical funds. The remaining non-formula decisions are made at a local level for county tax support, student fees, and other special funds.

PERCENT OF BUDGET REQUEST FUNDED:

1991-92: 58 percent
1990-91: 73 percent
1989-90: 87 percent

DISTRIBUTION TECHNIQUE WHEN REQUEST IS NOT FULLY FUNDED:

Formula approach is designed to allocate the amount actually appropriated. The effect, when the request is not fully funded, is to protect the base with new dollars allocated in proportion to share of the request.

REALLOCATION TECHNIQUE FOR MID-YEAR BUDGET CUTS:

Budget cuts in state-appropriated funds are made by the Governor and are generally a specific percentage of the total CJC appropriation. That percentage is used to calculate the actual dollar amount reduction for each of the formula categories.

PROCESS FOR ESTIMATING SELF-GENERATED REVENUE:

Handled at the local level.

TUITION AND FEES POLICIES:

Statutes prescribe the rates to be paid by residents of other states. The total fees shall not be less than the average cost per student from appropriated funds.

USE OF EXTERNAL INFORMATION:

In determining budget needs, the Higher Education Price Index and/or CPI are used to estimate inflationary increases in basic operations (travel, commodities, contractual services, etc.). SREB salary averages and the midpoint between Mississippi high school teachers' average salary and university average faculty salaries are used for faculty salaries.

YEAR THAT BASIC METHOD FOR BUDGETING WAS ADOPTED:

Late 1970s (The last major revision was in 1987-88.)

SUMMARY OF REVISIONS OF BUDGETING METHODS ENACTED SINCE 1991-92 OR UNDER CONSIDERATION:

None. A formula revision committee has been formed to report in 1993-94.

BUDGET CONTROL/BUDGET FLEXIBILITY (Which level of management can legally authorize transfer of funds):

	Institutional Officers/ Governing Board	Statewide Coordinating/ Governing Board	Executive Branch	Legislative Branch
Among Functions (instruction, student services, etc.)	x			
Among Objects (salaries, equipment, etc.)	x			
Line Items (desegregation, research institute, etc.)				

NORTH CAROLINA FOUR-YEAR COLLEGES AND UNIVERSITIES

(includes health science centers and experiment/extension centers)

Contact Person

L. Felix Joyner
Vice President, Finance
919-962-1000

UNC General Administration
P.O. Box 2688
Chapel Hill, NC 27515-2688

FUNDING METHODS AND PHASES:

Phase	Participants		
	State Agency	Governor	Legislature
Request			
Institutional Level	Justification Plus*		
System Level	Justification Plus*		
Review & Recommend			
Institutional Level	Justification Plus*		
System Level	Justification Plus*	Justification	Justification
Appropriation			
Institutional Level			Justification**
System Level			Justification
Allocation to Institutions	Justification Plus*		

* Justification plus formula for enrollment growth only.

** See "Allocation Procedures" on next page.

DESCRIPTION OF THE BUDGETING PROCESS FOR GENERAL OPERATIONS:

The process by which The University budget is developed and administered has its legal basis in the State's Executive Budget Act and Higher Education Reorganization Act of 1971. The statutes prescribe:

> "The Board of Governors shall develop, prepare, and present to the Assembly a single, unified recommended budget for all of public senior higher education. The recommendations shall consist of requests in three general categories: (i) funds for the continuing operation of each constituent institution, (ii) funds for salary increases for employees exempt from the State Personnel Act, and (iii) funds requested without reference to constituent institutions, itemized as to priority and covering such areas as new programs and activities, expansions of programs and activities, increases in enrollments, increases to accomodate internal shifts and categories of persons served, capital improvements, improvements in levels of operation and increases to remedy deficiencies, as well as other areas."

Upon receiving instructions and guidelines from the President, each constituent institution prepares its budget estimates.

The review procedures for campus budget estimates are:

(a) Continuation Budgets are reviewed by the Vice President for Finance and his staff for general consistency and conformance with instructions. The campus data upon which the academic salary increase requests are based are also reviewed in a similar manner, but in more detail and subject to verification.

(b) A Budget Committee, headed by the Vice President for Academic Affairs and composed of senior members of the President's staff, reviews all campus budget estimates for program improvements and expansions and capital improvements. The Committee assesses institutional priorities, examines requests with reference to the established role and mission of the institution, and evaluates each program or project in the institutional estimates.

Allocation Procedures: Continuation budgets are appropriated directly to the 16 constituent institutions. Funds for academic salary increases are appropriated to the Board of Governors in a lump sum for allocation to the constituent institutions. Funds for program improvements and expansions and capital improvements are also appropriated to the Board in a lump sum, subject to any specifications identified in the Budget Appropriations Acts. Utilizing internal procedures substantially the same as those followed in developing the budget request, the President then prepares and presents recommended allocations of the lump sum appropriations for Board approval.

PERCENT OF BUDGET REQUEST COVERED BY FORMULA PROVISIONS:

1 percent of current operations

FUNDING PROCEDURES FOR SPECIAL PURPOSES:

Statewide Scholarships and Fellowships:

Non-Formula Provisions: Most are funded by Federal funds but state funds are sought as required to match federal funds. (There are no formula provisions.)

Separately Budgeted Research Units, Separately Budgeted Public Service Units, Separately Budgeted Continuing/Community Education Units, Medical/Health Science Centers, Experiment Stations, and Cooperative Extension Services:

Non-Formula Provisions: See "Budget Process" above.

PERCENT OF BUDGET REQUEST FUNDED:

1991-92:	78 percent
1990-91:	83 percent
1989-90:	89 percent

DISTRIBUTION TECHNIQUE WHEN REQUEST IS NOT FULLY FUNDED:

See "Allocation Procedures" in "Description of the Budgeting Process."

REALLOCATION TECHNIQUE FOR MID-YEAR BUDGET CUTS:

No formal action is taken on the authorized appropriation. Where controls are required due to insufficient state revenues, the quarterly allotments of state funds are reduced by the Office of State Budgets and Management.

PROCESS FOR ESTIMATING SELF-GENERATED REVENUE:

Tuition revenue is based on an established rate (in-state and out-of-state) multiplied by authorized enrollments. Other revenue estimates are primarily based on prior years' experience. Overhead receipts reimbursements are projected:

as a set percent in the academic operating budget as an offset to appropriations, and

the balance of the overhead receipts are budgeted in a special fund code (non-reverting) that is approved by the legislature and subsequently adjusted by the Director of the Budget.

Investment income:

1. Money earned on general fund balances go to the state treasurer as a receipt for the state.

2. Money earned on self-supporting fund balances is credited to those funds and is used to support those operations.

TUITION AND FEES POLICIES:

Tuition and Fees (in-state and out-of-state students): State law says that the board of governors shall fix tuition and fees not inconsistent with actions of the general assembly. State law also requires the Board of Governors to fix tuition and required fees charged to out-of-state students comparable to the rates charged to out-of-state students at comparable institutions nationwide.

YEAR THAT BASIC METHOD FOR BUDGETING WAS ADOPTED:

1971-72 (The last major revision was in 1991-92.)

SUMMARY OF REVISIONS OF BUDGETING METHODS ENACTED SINCE 1991-92 OR UNDER CONSIDERATION:

The "Fiscal Accountability and Flexibility" Act went into effect in 1991-92 with 10 of 16 constituent institutions initially certified as "special responsibility constitutent institutions," Two more were certified by the end of 1991-92, and all 16 are now certified. "Special responsibility" institutions receive a lump sum appropriation and have complete flexibility in the allocation of these funds.

BUDGET CONTROL/BUDGET FLEXIBILITY (Which level of management can legally authorize transfer of funds):

	Institutional Officers/ Governing Board	Statewide Coordinating/ Governing Board	Executive Branch	Legislative Branch
Among Functions (instruction, student services, etc.)	x			
Among Objects (salaries, equipment, etc.)	x			
Line Items (desegregation, research institute, etc.)	x			

NORTH CAROLINA TWO-YEAR COLLEGES

Contact Person

Larry Morgan
Director, Auditing
and Accounting
919-733-7051 ext.208

Community Colleges
200 West Jones Street
Raleigh, NC 27603-1337

FUNDING METHODS AND PHASES:

Phase	Participants		
	State Agency	Governor	Legislature
Request			
Institutional Level	Formula		
System Level	Formula		
Review & Recommend			
Institutional Level	Formula		
System Level	Formula	Formula	Formula
Appropriation			
Institutional Level			
System Level			Formula
Allocation to Institutions	Formula		

DESCRIPTION OF THE BUDGETING PROCESS:

The Department of Community Colleges uses a cost per full-time-equivalent student model to request funding and a student-faculty ratio approach to allocate among the colleges.

PERCENT OF BUDGET REQUEST COVERED BY FORMULA PROVISIONS:

General Operating Appropriations: 88 percent

Special Purpose Operating Appropriations: 0 percent

FUNDING PROCEDURES FOR GENERAL OPERATIONS:

Instruction:

Formula Provisions for Credit Instruction:

Basic Model: Student/faculty ratios by salary rates.

Programs/Disciplines: There are eleven programs and disciplines.

(There are no non-formula provisions.)

Academic Support, Student Services, and Institutional Support:

Formula Provisions: Funded as part of instruction. (There are no non-formula provisions.)

Operation and Maintenance of Plant:

Formula Provisions: State funds are not utilized.

Non-Formula Provisions: Counties are required to provide sufficient support for plant operation.

General Public Service Activities:

Formula Provisions: State funds are not utilized. (There are no non-formula provisions.)

General Continuing/Community Education Activities:

Non-Formula Provisions: Block grants fund courses. Fees collected may also be utilized to fund administrators. (There are no formula provisions.)

PERCENT OF BUDGET REQUEST FUNDED:

1991-92	40 percent
1990-91	40 percent
1989-90	40 percent

DISTRIBUTION TECHNIQUE WHEN REQUEST IS NOT FULLY FUNDED:

Entire amount in proportion to request.

REALLOCATION TECHNIQUE FOR MID-YEAR BUDGET CUTS:

Voluntary return of funds by the colleges.

PROCESS FOR ESTIMATING SELF-GENERATED REVENUE:

Prior year actual collections.

TUITION AND FEES POLICIES:

In-State Students: Percent of cost.

Out-of-State Students: Percent of cost.

USE OF EXTERNAL INFORMATION:

Not applicable.

YEAR THAT BASIC METHOD FOR BUDGETING WAS ADOPTED:

1979-80 (A major revision took place in 1990-91 but has not been implemented due to lack of funds.)

SUMMARY OF REVISIONS OF BUDGETING METHODS ENACTED SINCE 1991-92 OR UNDER CONSIDERATION:

Considering program cost factors.

BUDGET CONTROL/BUDGET FLEXIBILITY (Which level of management can legally authorize transfer of funds):

	Institutional Officers/ Governing Board	Statewide Coordinating/ Governing Board	Executive Branch	Legislative Branch
Among Functions (instruction, student services, etc.)		x		
Among Objects (salaries, equipment, etc.)		x		
Line Items (desegregation, research institute, etc.)				

OKLAHOMA COLLEGES AND UNIVERSITIES

(includes two-year colleges, health science centers, and experiment/extension centers)

Contact Person

Gary Smith
Executive Vice Chancellor
405-524-9130

State Regents for Higher Education
500 Education Bldg., State Capitol Complex
Oklahoma City, OK 73105-4503

FUNDING METHODS AND PHASES:

	Participants		
Phase	State Agency	Governor	Legislature
Request			
Institutional Level	Formula		
System Level	Formula Plus*		
Review & Recommend			
Institutional Level	Formula		
System Level	Formula Plus*	Justification	Justification
Appropriation			
Institutional Level			
System Level			Justification
Allocation to Institutions	Formula		

* Formula plus incremental funding for certain special programs.

DESCRIPTION OF THE BUDGETING PROCESS:

A variation on program budgeting that uses peer funding per FTE to establish need for each of four tiers (missions) of institutions. Each institution's share of the tier need is based on standard cost of student credit hour by field of study and the number of credit hours, by level, generated in each field. State Regents (coordinating board) staff compile both peer and cost data.

PERCENT OF BUDGET REQUEST COVERED BY FORMULA PROVISIONS:

General Operating Appropriations: 100 percent

Special Purpose Operating Appropriations: 70 percent

FUNDING PROCEDURES FOR GENERAL OPERATIONS:

Instruction, Academic Support, Student Services, Institutional Support, Operation and Maintenance of Plant, Departmental Research, General Public Service Activities, and General Continuing/Community Education Activities:

Formula Provisions for All Functions:

Basic Model: Cost per student credit hour by field of study, by level.

Mission Differentiation: Each institution has a separate rate.

Levels: There are three instructional levels which include lower level (freshmen, sophomore), upper level (junior, senior), and graduate level.

Programs/Disciplines: Twenty two programs/disciplines are based on HEGIS fields of study.

(There are no non-formula provisions.)

FUNDING PROCEDURES FOR SPECIAL PURPOSES:

Statewide Scholarships and Fellowships:

Non-Formula Provisions: The Oklahoma Academic Scholars, National Merit, National Achievement, National Hispanic funds for high-achieving students, and Tuition Assistance Grant programs are all funded on an essentially incremental basis.

Separately Budgeted Research Units:

Non-Formula Provisions: The Oklahoma Geological Survey is funded incrementally.

Medical/Health Science Centers:

Formula Provisions: Comparison to student FTE funding at selected peer institutions. (There are no non-formula provisions.)

Experiment Stations:

Formula Provisions: Comparison of ratio of budget to gross farm income in U.S. Department of Agriculture Southern Region. (There are no non-formula provisions.)

Cooperative Extension Services:

Formula Provisions: Comparison to funding per rural population in U.S. Department of Agriculture Southern Region. (There are no non-formula provisions.)

PERCENT OF BUDGET REQUEST FUNDED:

1991-92: 58 percent
1990-91: 69 percent
1989-90: 87 percent

DISTRIBUTION TECHNIQUE WHEN REQUEST IS NOT FULLY FUNDED:

Protect base plus new dollars in proportion to request.

PROCESS FOR ESTIMATING SELF-GENERATED REVENUE:

Computed fee rate times full-time equivalent student.

TUITION AND FEES POLICIES:

In-state and out-of-state students: percent of per-capita income.

USE OF EXTERNAL INFORMATION:

Extensive peer data collected annually by a survey on state appropriations and student fees, per capita income, gross farm income, rural population.

YEAR THAT BASIC METHOD FOR BUDGETING WAS ADOPTED:

1973-74 (In 1988-89 peer data were incorporated.)

BUDGET CONTROL/BUDGET FLEXIBILITY (Which level of management can legally authorize transfer of funds):

	Institutional Officers/ Governing Board	Statewide Coordinating/ Governing Board	Executive Branch	Legislative Branch
Among Functions (instruction, student services, etc.)		x		
Among Objects (salaries, equipment, etc.)		x		
Line Items (desegregation, research institute, etc.)				

SOUTH CAROLINA COLLEGES AND UNIVERSITIES

(includes two-year colleges and health science centers)

Contact Person

John E. Smalls
Associate Commisioner
for Financial Affairs
803-253-6260

Commission on Higher Education
1333 Main Street, Suite 300
Columbia, SC 29201

FUNDING METHODS AND PHASES:

Phase	Participants		
	State Agency	Governor	Legislature
Request			
Institutional Level	Formula		
System Level	Formula		
Review & Recommend			
Institutional Level	Formula		
System Level	Formula	Justification	Justification
Appropriation			
Institutional Level			
System Level			Justification
Allocation to Institutions	Formula		

DESCRIPTION OF THE BUDGETING PROCESS:

Institutions provide information to the commission which in turn calculates the formula amounts per institution. The total formula amount is then submitted to the legislature as the budget request for Higher Education. The formula is then used to allocate state funds to institutions.

PERCENT OF BUDGET REQUEST COVERED BY FORMULA PROVISIONS:

General Operating Appropriations: 81 percent

Special Purpose Operating Appropriations: 6 percent

FUNDING PROCEDURES FOR GENERAL OPERATIONS:

Instruction:

Formula Provisions for Credit Instruction:

Basic Model: Student faculty ratios by salary rates.

Exclusions/Exceptions: Separate calculation for summer school salaries. (Basically the normal calculation with the final step being to multiply total salaries by 35 percent to determine the amount for summer school.

Mission Differentiation: Three institutional groups: (1) Clemson and the University of South Carolina (2) Senior colleges (3) Junior colleges

Levels: Three levels include undergraduate, graduate/first professional, and graduate 2.

Programs/Disciplines: Forty six CIP programs/disciplines are used. (There are no non-formula provisions.)

Academic Support:

Formula Provisions: Percentage of total instructional salaries, with separate rates by discipline. (There are no non-formula provisions.)

Student Services:

Formula Provisions: Dollar amounts per headcount student based on economy of scale ($150 for first 4,000, $125 for second 4,000, $100 for third 4,000, and $75 for all over 12,000) plus $3.00 per credit hour. (There are no non-formula provisions.)

Institutional Support:

Formula Provisions: A percent of (instruction plus research plus public service plus academic support plus student services plus operation/maintenance of plant formula components) or $50,000, whichever is greater. (There are no non-formula provisions.)

Operation and Maintenance of Plant:

Formula Provisions: Calculations for general services, maintenance (building and grounds), and custodial services are based on the type of facility and dollars per gross square foot for buildings or dollars per acre for grounds.

Non-Formula Provisions: Utilities are based on inflated prior year actual.

Departmental Research:

Formula Provisions: Twenty five percent of prior year's sponsored research expenditures. (There are no non-formula provisions.)

General Public Service Activities:

Formula Provisions: Twenty five percent of prior year's sponsored public service expenditures. (There are no non-formula provisions.)

FUNDING PROCEDURES FOR SPECIAL PURPOSES:

Statewide Scholarships and Fellowships:

Non-Formula Provisions: Separate appropriation to Commission for statewide scholarship program. (There are no formula provisions.)

Separately Budgeted Public Service/Research Units:

Non-Formula Provisions: Separate appropriations to the public service and extension service agency (including experiment stations). These agencies are not considered to be a part of higher education. (There are no formula provisions.)

Medical/Health Science Centers:

Formula Provisions: All medical/health science centers are associated with the medical institutions which are funded through the formulas. (There are no non-formula provisions.)

Experiment Stations and Cooperative Extension Services:

Non-Formula Provisions: See Separately Budgeted Public Service/Research Units. (There are no formula provisions.)

PERCENT OF BUDGET REQUEST FUNDED:

1991-92: 75 percent
1990-91: 89 percent
1989-90: 95 percent

DISTRIBUTION TECHNIQUE WHEN REQUEST IS NOT FULLY FUNDED:

Protect base plus percentage increase until all institutions are receiving an equal percentage of formula funding. When all institutions are receiving an equal percentage of formula funding, then funds are distributed in proportion to request.

REALLOCATION TECHNIQUE FOR MID-YEAR BUDGET CUTS:

Budget cuts are applied to institutions as a percentage of their appropriations, with all institutions receiving equal percentage cuts.

PROCESS FOR ESTIMATING SELF-GENERATED REVENUE:

Percentage of total educational and general costs estimated by the formula, with separate calculations for in-state and out-of-state segments.

TUITION AND FEES POLICIES:

Tuition and Fees (In-state and out-of-state students): Tuition levels are set by respective Boards of Trustees, who have legislative authority to set fees for their institutions.

USE OF EXTERNAL INFORMATION:

- Average of certain peer institutions for faculty salaries.
- State pay increase percentage for salaries.
- Average hourly rate from U.S. Department of Commerce for plant salary calculations.
- Building value factor from "Markel's Handy Appraisal Chart" for use in plant calculations.

YEAR THAT BASIC METHOD FOR BUDGETING WAS ADOPTED:

1980-81 (There have been no major revisions.)

SUMMARY OF REVISIONS OF BUDGETING METHODS ENACTED SINCE 1991-92 OR UNDER CONSIDERATION:

Use of 3-year average credit hours, rather than most recent year's hours. Change in method of calculation of revenue deduction step to decrease the amount of state support provided for out-of-state students.

BUDGET CONTROL/BUDGET FLEXIBILITY (Which level of management can legally authorize transfer of funds):

	Institutional Officers/ Governing Board	Statewide Coordinating/ Governing Board	Executive Branch	Legislative Branch
Among Functions (instruction, student services, etc.)	x			
Among Objects (salaries, equipment, etc.)	x			
Line Items (desegregation, research institute, etc.)	x			

89

TENNESSEE COLLEGES AND UNIVERSITIES

(includes two-year colleges)

Contact Agency

Paul C. Messplay
Director of Higher
Education Budgeting
615-741-7574

Higher Education Commission
404 James Robertson Parkway
Suite 1900, Parkway Towers
Nashville, TN 37219-5380

FUNDING METHODS AND PHASES:

Phase	Participants		
	State Agency	Governor	Legislature
Request			
Institutional Level	Formula		
System Level	Formula		
Review & Recommend			
Institutional Level	Formula	Formula	Formula
System Level	Formula	Formula	Formula
Appropriation			
Institutional Level			Formula
System Level			Formula
Allocation to Institutions			

DESCRIPTION OF THE BUDGETING PROCESS:

Institutions submit requests to Commission staff for use in developing funding recommendations. Staff recommendations are acted on formally by the Commission. The Commission recommendations are considered by the Commissioner of Finance and Administration in the development of the Governor's budget. The Legislature takes final action.

Links between funding process and planning and assessment are through supplemental funding which is available based on performance outcomes. Institutions may receive up to 5.45 percent of their state appropriation based on points awarded for categories such as percent of accreditable programs that are accredited, student performance, and placement.

PERCENT OF BUDGET REQUEST COVERED BY FORMULA PROVISIONS:

General Operating Appropriations: 95 percent

Special Purpose Operating Appropriations: 40 percent

FUNDING PROCEDURES FOR GENERAL OPERATIONS:

Instruction:

Formula Provisions for Credit Instruction:

Basic Model: Student/faculty ratios by salary rates.

Exclusions/Exceptions: Contract courses where more than 50 percent of the cost is borne by a source other than the state; continuing education units.

Mission Differentiation: Four institutional types are recognized with differential faculty salary rates.

Levels: Six instructional levels (level 1: freshman/sophomore; level 2: junior/senior; level 3: graduate; level 4: doctoral; level 5: law; level 6: remedial/developmental.)

Programs/Disciplines: Twenty programs/disciplines (designations based on course; differentiation by student ratios; HEGIS categories).

(There are no non-formula provisions.)

Academic Support:

Formula Provisions: Libraries funding equals a differential rate times full-time students. Administrative funding equals total instructional funds times a differential rate by type of institution. (There are no non-formula provisions.)

Student Services:

Formula Provisions: Standard rate is multiplied by FTE plus headcount enrollments. (There are no non-formula provisions.)

Institutional Support:

Formula Provisions: A base funding amount is provided plus declining percentage amount based on total expenditures for all other functions. (There are no non-formula provisions.)

Operation and Maintenance of Plant:

Formula Provisions: Funding rate per gross square feet adjusted for intensity of use and age of facilities; utilities are based on square footage changes and actual expenditures.

Non-Formula Provisions: Rent is reviewed on a case-by-case basis.

Departmental Research:

Formula Provisions: For universities only, one-half of prior year unrestricted research expenditures plus a proportionate share of a research pool based on total sponsored research. (There are no non-formula provisions.)

General Public Service Activities:

Formula Provisions: A base amount plus a percent of instruction. (There are no non-formula provisions.)

FUNDING PROCEDURES FOR SPECIAL PURPOSES:

Statewide Scholarships and Fellowships:

Formula Provisions: Student aid based on previous annual expenditures and federal matching requirements.

Non-Formula Provisions: State grant program recommended on an improvement basis.

Separately Budgeted Research Units, Separately Budgeted Public Service Units, and Separately Budgeted Continuing/Community Education Units:

Non-Formula Provisions: Funding recommended on an improvement basis. (There are no formula provisions.)

Medical/Health Science Centers:

Formula Provisions: Separate formulas for colleges of medicine, family practice programs, and veterinary medicine. A state-supported student/faculty ratio of 1:2.6 is used multiplied by an average faculty salary using the southern regional average. Numbers of professional/technical/clerical personnel are calculated at nine professional/technical/clerical staff per faculty member using a statewide average salary. An average of 15 percent is added for operating expenses and equipment. The formula part provides a framework for defining equity. Equity is achieved as the formula generates substantially equal per student expenditures from unrestricted funds at each institution.

Non-Formula Provisions: Funding recommended on an improvement basis.

Experiment Stations and Cooperative Extension Services:

Non-Formula Provisions: Funding recommended on an improvement basis. (There are no formula provisions.)

Other Special Purpose Entities:

Formula Provisions: Separate formula for the area vocational-technical schools.

Faculty are determined by allocating one FTE per program at each institution plus one FTE faculty member for each 27 students above 125. Faculty counts are multiplied by

a faculty salary factor plus supplies, equipment, and other salaries at 28 percent of salaries. For student services, a base amount is provided for each institution plus $187 per FTE student. Five percent of equipment replacement is added as an equipment replacement supplement. Utilities are calculated based upon actual costs. Maintenance and operations costs are calculated at a rate per square foot plus an amount for lease cost. Institutional support is calculated as a base amount plus a rate per FTE student. Staff benefits are calculated based on actual. Inflation is added for operating expenses and salaries. Local revenue is calculated at 3.8 percent times formula expenses.

Non-Formula Provisions: Additional special purpose programs, such as Centers of Excellence, Centers of Emphasis, Chairs of Excellence, instruction equipment, vocational improvements, and others funded on an improvement basis.

PERCENT OF BUDGET REQUEST FUNDED:

1991-92: 84 percent
1990-91: 92 percent
1989-90: 97 percent

DISTRIBUTION TECHNIQUE WHEN REQUEST IS NOT FULLY FUNDED:

Reduction methodologies have varied based on the extent of the funding cuts. Small cuts have been implemented primarily on a proportional basis while larger cuts have been implemented on a variable basis, taking into account factors such as enrollments and reduction limitations. Two methods are combined: protecting the base with equal percent increases and the entire amount in proportion to share of request.

REALLOCATION TECHNIQUE FOR MID-YEAR BUDGET CUTS:

(See Distribution Technique When Request is Not Fully Funded.)

PROCESS FOR ESTIMATING SELF-GENERATED REVENUE:

- Percentage of New Appropriation
- Estimated Investment Income

In-state fees are deducted from the total recommended expenditure requirement based on a fee index to appropriations. Out-of-state tuition is deducted from recommended expenditures based on prior year revenue collections for each out-of-state FTE and current year non-resident enrollments.

TUITION AND FEES POLICIES:

Tuition and Fees:

In-State Students: Fees indexed to state appropriations; 30-32 percent for universities and 24-26 percent at 2-year institutions.

Out-of-State Students: 80-90 percent of state appropriations for resident students.

USE OF EXTERNAL INFORMATION:

- Peer salary data are used for faculty salaries
- Implicit price deflator for retail sales used for operating inflation
- Bowker Annual used for calculating library acquisitions inflation
- Peer data used for library expenditures

YEAR THAT BASIC METHOD FOR BUDGETING WAS ADOPTED:

1971-72 (The last major revision was in 1986-87.)

SUMMARY OF REVISIONS OF BUDGETING METHODS ENACTED SINCE 1991-92 OR UNDER CONSIDERATION:

Peer groups; tuition and fee indices; funding for remedial and developmental courses.

BUDGET CONTROL/BUDGET FLEXIBILITY (Which level of management can legally authorize transfer of funds):

	Institutional Officers/ Governing Board	Statewide Coordinating/ Governing Board	Executive Branch	Legislative Branch
Among Functions (instruction, student services, etc.)	x		x *	
Among Objects (salaries, equipment, etc.)	x		x *	
Line Items (desegregation, research institute, etc.)		x		

* Approves budget at beginning of fiscal year.

TEXAS COLLEGES AND UNIVERSITIES

(includes two-year colleges, health science centers, and experiment/extension centers)

Contact Person

Marlene Clark
Director, Finance
512-483-6130

Texas Higher Education Coordinating Board
P.O. Box 12788
Austin, TX 78711

FUNDING METHODS AND PHASES:

Phase	Participants		
	State Agency	Governor	Legislature
Request			
Institutional Level	Formula Plus*		
System Level			
Review & Recommend			
Institutional Level	Formula Plus*	Formula Plus*	Formula Plus*
System Level			
Appropriation			
Institutional Level			Formula Plus*
System Level			
Allocation to Institutions			

* Formula plus individually justified requests.

DESCRIPTION OF THE BUDGETING PROCESS:

The budgeting process normally takes up to two years to complete. The process begins with two large formula advisory committees (one for public senior colleges and universities and the other for public junior and community colleges and the state technical college system) and twelve formula study committees. The committees are composed of a mix of presidents, administrators, faculty members, and lay persons.

In August of 1989, the two advisory committees and the formula study committees received their charges and began work. The chairs of the formula study committees presented their reports in November to the formula advisory committees. Then, in December, the advisory committees met and prepared recommendations to be made to the Commissioner who in turn prepared his recommendations to give to the Coordinating Board at its January meeting.

In March, the Legislative Budget Board (LBB) and the governor's office of budget (GOB) prepared instructions for legislative appropriation requests (LARs). Then, in July and October, agencies and institutions of higher education submitted initial and final LARs.

Between July and October, open hearings were held. In December, the LBB drafted the appropriations bill, as instructed by the Legislature, based on available revenue and current services. The following January, the Legislature began its meeting and by May, an appropriations bill was finalized for signature by the governor in June.

However, before the 1992-93 biennium, the Legislature went into special session and the appropriations bill was not signed until August 29, 1991.

The Legislative Budget Board is trying to develop links between the funding process and planning and assessment.

PERCENT OF BUDGET REQUEST COVERED BY FORMULA PROVISIONS:

General Operating Appropriations: 70 percent

Special Purpose Operating Appropriations: 3 percent

FUNDING PROCEDURES FOR GENERAL OPERATIONS:

Instruction:

Formula Provisions for Credit Instruction:

Basic Model:

Cost per Student Credit Hour: Used for senior colleges and universities.
Cost per FTE: Used for health science centers.
Student/Faculty Ratios by Salary Rates: Used for both senior colleges and universities and health science centers to develop the cost per student credit hour model.
Unit Cost per Contact Hour: Used for community colleges.

Mission Differentiation: Two (junior and senior).

Levels: Five course levels (undergraduate at four-year institution, undergraduate at two-year institution, master's, special professional, and doctoral).

Programs/Disciplines: Nineteen programs

Non-Formula Provisions: Funding is based on justifiable need.

Academic Support:

Formula Provisions: Library funding is determined by multiplying degree-level rates times semester credit hours. Instructional administration funding is determined as a percentage of the faculty salary budget. (There are no non-formula provisions.)

Student Services/ Institutional Support:

Formula Provisions: Funding is determined by multiplying headcount enrollment times a rate based on enrollment size categories. A "general institutional expense" amount is determined by multiplying semester credit hours times a rate. Campus security amounts use a formula incorporating headcount enrollment, number of active employees, area population, and property value factors. (There are no non-formula provisions.)

Operation and Maintenance of Plant:

Formula Provisions: There are formula components for plant support services, building maintenance, custodial services, grounds maintenance, and "mothballed" facilities. (There are no non-formula provisions.)

Departmental Research:

Formula Provisions: $1,300 per full-time-equivalent faculty. (There are no non-formula provisions.)

FUNDING PROCEDURES FOR SPECIAL PURPOSES:

Statewide Scholarships and Fellowships:

Non-Formula Provisions: Special item appropriations. (There are no formula provisions.)

Separately Budgeted Research Units:

Formula Provisions: The research enhancement formula is the number of FTE faculty times $1,300.

Non-Formula Provisions: Funds appropriated to the Coordinating Board for allocation to institutions based on a peer review process.

Medical/Health Science Centers:

Formula Provisions: Formulas for nursing and allied health faculty salaries based on a constructed cost model.

Non-Formula Provisions: Based on justifiable need.

PERCENT OF BUDGET REQUEST FUNDED:

Only general revenue is appropriated. Formulas are based on all funds. Consequently, accurate figures are not available.

DISTRIBUTION TECHNIQUE WHEN REQUEST IS NOT FULLY FUNDED:

Formula elements are funded at different percentages based on growth and legislative priorities which take into account institutional priorities.

REALLOCATION TECHNIQUE FOR MID-YEAR BUDGET CUTS:

Across-the-board cuts.

PROCESS FOR ESTIMATING SELF-GENERATED REVENUE:

Institutions are asked to project tuition and other income for the next biennium. Estimates are updated as the legislative session progresses.

TUITION AND FEES POLICIES:

Tuition and Fees:

In-State Students and Out-of-State Students: Tuition is set by the legislature.

USE OF EXTERNAL INFORMATION:

Consumer Price Index, Higher Education Price Index, national average and average of 10 most populous states for faculty salaries.

YEAR THAT BASIC METHOD FOR BUDGETING WAS ADOPTED:

1954-55 (The last major revision was in 1988-89.)

SUMMARY OF REVISIONS OF BUDGETING METHODS ENACTED SINCE 1991-92 OR UNDER CONSIDERATION:

All formulas are currently under serious review. Some refinements or recalibrations were made to salary averages and student/faculty ratios. Formula for performance funding were recmomended but have not been implemented. The "general administration" and "student services" categories will be separated into two separate formulas.

BUDGET CONTROL/BUDGET FLEXIBILITY (Which level of management can legally authorize transfer of funds):

	Institutional Officers/ Governing Board	Statewide Coordinating/ Governing Board	Executive Branch	Legislative Branch
Among Functions (instruction, student services, etc.)	x			
Among Objects (salaries, equipment, etc.)	x			
Line Items (desegregation, research institute, etc.)	x			
Among Institutions			x	

VIRGINIA COLLEGES AND UNIVERSITIES

(includes two-year colleges)

Contact Person

J. Michael Mullen
Deputy Director
804-225-2610

Council on Higher Education
James Monroe Building
101 North Fourteenth St.
Richmond, VA 23219

FUNDING METHODS AND PHASES:

Phase	Participants		
	State Agency	Governor	Legislature
Request			
Institutional Level	Formula Plus*		
System Level			
Review & Recommend			
Institutional Level	Formula Plus*	Formula Plus*	Formula Plus*
System Level			
Appropriation			
Institutional Level			Formula Plus*
System Level			
Allocation to Institutions			

* Formula plus selected individually justified items.

DESCRIPTION OF THE BUDGETING PROCESS:

The operating budget guidelines (including the position guidelines, the non-personal service unit cost guidelines, the faculty salary peer group process, and the tuition policy model) are used by the institutions to develop requests. The Council and the Governor use them to review and recommend, and the General Assembly use them to appropriate.

Virginia has also instituted several quality/excellence programs that provide additional funding. The Eminent Scholars program attracts top faculty; the Funds for Excellence program is based on competitive grants for curriculum innovation, and the Commonwealth Centers are based on a program of one-time competitive grants awarded to eight institutions in specialized areas. Virginia has also mandated and funded institutionally based student outcomes assessment. The Higher Education Equipment Trust Fund (HEETF) was implemented during the 1986-88 biennium. This revenue bond/lease program has provided over $105 million for the replacement of obsolete teaching and research equipment.

The most recent program to address excellence and incentive issues is based on the recommendations of the Commission on the University of the 21st Century. These recommendations called for undergraduate curricular change, based on the infusion of more global perspectives, improved teaching skills, and increased productivity. Institutions were appropriated funds for planning in the current biennium and the Council has recommended that $18.4 million be appropriated in the 1992-94 biennium to implement these programs.

PERCENT OF BUDGET REQUEST COVERED BY FORMULA PROVISIONS:

General Operating Appropriations: 90-95 percent

Special Purpose Operating Appropriations: 34 percent

While hospital appropriations are considered to be special purpose dollars, appropriations for medical (including veterinary medicine) and dental instruction are categorized as general operating expenses in Virginia.

FUNDING PROCEDURES FOR GENERAL OPERATIONS:

For each functional area, institutions are provided an opportunity to describe both formula and non-formula provisions for determining budget needs. For example, provisions as a percent of instruction or as last year plus inflation would be formula components. A provision such as negotiation between the president and the board would be a non- formula component. The instructional area is the most common function for formula treatment, and includes a number of common detailed areas.

Instruction:

Formula Provisions for Credit Instruction:

Basic Model: Student/faculty ratios, benchmark faculty salaries, non-personal service expenses, and revenue requirements needed to support general operations. The tuition and fee policy produces an institutional cost-sharing fund split between general funds and non-general funds. Other revenues (all non-general funds) including self-supporting income from research, community education and public service (including indirect costs – 30 percent of direct costs) and income from miscellaneous fines and charges are factored in as well. (See also "Self-generated revenues.")

Mission Differentiation:

Number of Missions Recognized: Three missions are recognized (doctoral, comprehensive, and two-year) with an increasing number of support positions by type of institution.

Levels: Six course levels are recognized (remedial, lower, upper, master's, doctoral, and professional–medicine, dentistry, veterinary medicine).

Programs/Disciplines: Thirty IPEDS programs/disciplines are recognized.

Non-Formula Provisions: A justification for the requested level of funding for community education must be submitted by the institution.

Academic Support:

Formula Provisions: Academic support guidelines provide for positions for the administration of the instructional program and academic computing functions.

IPEDS-based peer group averages are used for position guidelines.

For institutions who belong to the Association of Research Libraries (ARL), staffing is based on the mean of the 20 closest ARL institutions. For non-ARL institutions, a base number of positions plus a rate per student and per faculty full-time equivalents are provided.

Library book budget requests use various formulas using program and enrollment variables.

Non-Formula Provisions: Museums, galleries, and ancillary support are funded incrementally

Student Services:

Formula Provisions: Base staff plus an adjustment to support staff based on FTE to headcount ratio for institutions that have large numbers of part-time students. (There are no non-formula provisions.)

Institutional Support:

Formula Provisions:

Four-Year Institutions: base staff plus rates per student and faculty FTE plus additional support staff based on FTE to headcount ratio for institutions that have large numbers of part-time students.

Two-Year Institutions: base staff plus rate per student FTE plus additional support staff based on FTE to headcount ratio for institutions that have large numbers of part-time students.

Non-Formula Provisions: Regional computer centers and logistical services.

Operation and Maintenance of Plant:

Formula Provisions: The guideline is based on the existing ratio of support positions to the total number of maintained educational and general square feet. Institutions may request additional staffing for new space based on the current ratio. A justification must be provided if a more favorable ratio is requested. Corrective unscheduled maintenance (i.e., roof, heating, ventilation, and air conditioning) repairs are funded through capital outlay and the Maintenance Reserve Program. (There are no non-formula provisions.)

Departmental Research and General Public Service Activities:

Non-Formula Provisions: Program justification. (There are no formula provisions.)

General Continuing/Community Education Activities:

Non-Formula Provisions: Program justification. (There are no formula provisions.)

FUNDING PROCEDURES FOR SPECIAL PURPOSES:

Statewide Scholarships and Fellowships:

Formula Provisions: The budget request for the state discretionary aid program, administered by the institutions, is based on a determination of financial need calculated by the State Council on Higher Education in Virginia. The formula, based on student-specific data, calculates total cost of attendance, subtracts family contribution and other sources of aid, and results in a total remaining need.

Non-Formula Provisions: Budget requests for financial aid programs administered by State Council on Higher Education in Virginia are incremental.

Separately Budgeted Research Units and Separately Budgeted Public Service Units:

Non-Formula Provisions: A comprehensive program and financial review is conducted every four years. Each center must conduct a self-study and provide a report to the State Council on Higher Education in Virginia. The Council then makes recommendations to the Governor and General Assembly. (There are no formula provisions.)

Separately Budgeted Continuing/Community Education Units:

Non-Formula Provisions: Institutions must submit a justification for the requested level of funding. (There are no formula provisions.)

Medical/Health Science Centers:

Formula Provisions: Teaching hospitals receive a general fund appropriation for the costs of training medical residents and for care provided to indigent patients. A cost study, based on the prior fiscal year, determines a percentage of expenditures dedicated to the care of indigent patients. This percentage is then adjusted for any projected changes in case load. The resulting percentage is applied to the total appropriation for the teaching hospitals to determine the general fund share. Instructional programs have separate guidelines. (There are no non-formula provisions.)

Experiment Stations and Cooperative Extension Services:

Non-Formula Provisions: Institutions must submit a justification for the requested level of funding. (There are no formula provisions.)

Other Special Purpose Entities:

Non-Formula Provisions: Stand-alone research agencies, such as the Innovative Technology Authority, the Southeastern Universities Research Association, and the Virginia Institute of Marine Science, are not covered under the guidelines and must submit a program justification for the requested level of funding. (There are no formula provisions.)

PERCENT OF BUDGET REQUEST FUNDED:

1991-92: 90 percent
1990-91: 90 percent
1989-90: 93 percent

DISTRIBUTION TECHNIQUE WHEN REQUEST IS NOT FULLY FUNDED:

In recent years, the Council, Governor, and General Assembly has tried to protect the base first, then attempt to provide a minimum institutional level of 90 percent of guidelines. A system-wide goal of reaching the 60th percentile of peer group faculty salaries was met in 1989-90. Due to recent budget reductions, base preservation has become the primary goal.

REALLOCATION TECHNIQUE FOR MID-YEAR BUDGET CUTS:

Institutions are required to submit budget reduction plans to the Department of Planning and Budget. However, the Council recommended the following strategies: (1) institutions should place the highest priority on protecting their academic programs and physical plants; (2) institutions should try to avoid reducing expenditures for library materials, instructional equipment, and maintenance of buildings; (3) state central agencies should defer or remove central agency requirements that are not essential; (4) the Governor and General Assembly should consider tuition surcharges on an institution-by-institution basis.

PROCESS FOR ESTIMATING SELF-GENERATED REVENUE:

Percentage of New Appropriation: Tuition revenue, appropriated as a non-general fund, is calculated as a percentage of the appropriated adjusted educational and general operating budgets (see Tuition and Fees Policies below for more details). Also, institutions that recover the full indirect cost of Auxiliary Enterprise programs are allowed to keep the interest earned by the investment of funds generated by these programs. Finally, there are the following provisions for grant/contract indirect cost recoveries: 70 percent is retained by the institutions as an appropriation for research and research-related requirements; 30 percent is included in the educational and general revenues of the institutions. (See also "Basic Model.")

TUITION AND FEES POLICIES:

Tuition and Fees:

In-State Students and Out-of-State Students: Percent of cost.

In 1991-92, four-year institutions will collect between 30 and 35 percent of costs for residents and 100 percent, on average, for non-residents. The community colleges will collect approximately 30 percent for residents and 120 percent for non-residents (a minimum of 100 percent is required).

The aggregate contribution rates range from 32 to 51 percent at the four-year institutions and average 31 percent at the community colleges. The determination of specific student charges is the responsibility of the individual Boards of Visitors.

USE OF EXTERNAL INFORMATION:

In the benchmark faculty salary process several external variables are used including peer salary averages, enrollment level of institution, and research activity levels. Also, the "remaining need" calculation for financial aid uses family contribution and other financial aid source data.

YEAR THAT BASIC METHOD FOR BUDGETING WAS ADOPTED:

1968-70 biennium (The Virginia Council for Higher Education was initiated in the 1974-76 biennium; the last major revision was in 1988-89.)

SUMMARY OF REVISIONS OF BUDGETING METHODS ENACTED SINCE 1991-92 OR UNDER CONSIDERATION:

The community college funding process is now conducted on a system-level basis in all phases. There have been no other changes to the guidelines since 1988-89. The application of the guidelines for the 1994-96 biennium will be on a limited or abbreviated basis due to state revenue shortfalls.

BUDGET CONTROL/BUDGET FLEXIBILITY (Which level of management can legally authorize transfer of funds):

	Institutional Officers/ Governing Board	Statewide Coordinating/ Governing Board	Executive Branch	Legislative Branch
Among Functions (instruction, student services, etc.)	x			
Among Objects (salaries, equipment, etc.)	x			
Line Items (desegregation, research institute, etc.)				x

While institutions are required to file detailed (sub-object level of detail) expenditure plans with the Department of Planning and Budget, movement of funds between objects of expense and programs can be done routinely. However, the movement of funds between major programs (i.e., educational and general, auxiliary enterprise, and sponsored programs) is rare and more highly controlled by the Budget Office. It should be noted that the formula guidelines cover only educational and general programs.

WEST VIRGINIA COLLEGES AND UNIVERSITIES

(includes health science centers, experiment/extension centers, and statewide programs)

Contact Person

James Sutherland
Director of Facilities
and Finance
304-558-0281

Central Office
State College and State University Systems
1018 Kanawha Blvd. East, Suite 700
Charleston, WV 25301

FUNDING METHODS AND PHASES:

Phase	Participants		
	State Agency	Governor	Legislature
Request			
Institutional Level			
System Level	Formula		
Review & Recommend			
Institutional Level			
System Level	Formula	Formula	Formula
Appropriation			
Institutional Level			
System Level			Formula
Allocation to Institutions	Per Employee		

DESCRIPTION OF THE BUDGETING PROCESS:

Institutions submit narrative requests identifying priority funding objectives, both system wide (e.g. salary increases) and institution-specific (e.g., new program funding). Each governing board uses these requests to shape system wide priorities for base budget funding and any special initiative requests and then submits a consolidated request to the Governor. The funding formula is used at the system level to identify overall and relative funding needs of each system, excluding health science components, based upon SREB peer comparisons, and to balance the amount requested by each system based upon their relative level of need.

The governor recommends funding levels for each system and the health science components, generally based on overall state-level priorities related to proposed salary increases and any specific program proposals. The legislature reviews both the governing boards' requests and Governor's recommendations and appropriates funds to each system based on its policy objectives with respect to salary increases and specific program initiatives. Although development and use of a funding formula by the governing boards has been required by law since 1989, neither the Governor nor the Legislature currently utilizes the formula in funding deliberations.

Appropriations are allocated by each governing board among its respective institutions. Health science components have generally been appropriated to specific institutions. The funding formula has generally been used since 1989 to guide allocation decisions, although its use sometimes conflicts with specific state-level funding priorities such as across-the-board salary increases, often requiring a combination of incremental and formula funding.

PERCENT OF BUDGET REQUEST COVERED BY FORMULA PROVISIONS:

General Operating Appropriations: 100 percent

Special Purpose Operating Appropriations: (Cannot be calculated, see "Special Programs" below.)

The current formula identifies the overall funding needs of each system through SREB peer comparisons. Governing boards agree on the proportion of overall need to be sought in the budget request. Each governing board must then fit its funding priorities, whether general operating support or special funding initiatives, within the constraints of the agreed-upon request level.

FUNDING PROCEDURES FOR GENERAL OPERATIONS:

Instruction:

Formula Provisions for Credit Instruction:

Basic Model: Cost per full-time equivalent (FTE) student using SREB peer averages.

Mission Differentiation: Five missions are recognized relating to SREB peer groups.

Levels and Programs/Disciplines: One is recognized for each peer group.

(There are no non-formula provisions.)

The most recent revision of the funding formula (1991) utilizes an aggregate state-support-per-student approach to making funding comparisons with SREB peer institutions and determines the overall and relative need of each institution and system. There are no specific indices related to functional categories or activities.

The 1991 formula revision assigns each West Virginia institution to a specific peer group for comparative purposes. In some instances, two SREB categories were combined (e.g. Master's II and Baccalaureate) when the characteristics of both groups seemed appropriate. An average SREB appropriation per student amount was then calculated by averaging the state averages for that category (not the published weighted average). This amount is then multiplied by the previous Fall's FTE enrollment at each West Virginia institution to determine an "indicated" level of State support.

Additions are made to the "indicated" level of support for West Virginia University to reflect its land grant and research missions. This amount is based upon the relative portion of state funding reported by West Virginia University for such activities in the SREB-State Data Exchange, and which is subsequently excluded by SREB in the average per student support calculations.

Reductions in formula support are also made for those institutions which have non-resident fee surcharges available to those institutions. Certain non-formula state-level functions including the state-wide computer network and each system's chancellor's office are added to the formula calculations.

Using the above comparisons an "indicated" level of state funding is identified for each institution and system and compared to current levels to identify absolute and relative need for each system. The revised formula was adopted on the basis that it would be used to guide state-level requests and the distribution of funds among systems, but would not be used to allocate or reallocate funding within or among institutions.

Academic Support, Student Services, Institutional Support, Plant Operation and Maintenance, Departmental Research, General Public Service Activities, and General Continuing/Community Education Activities:

Formula Provisions: These functions are included in the aggregate calculation. (There are no non-formula provisions.)

FUNDING PROCEDURES FOR SPECIAL PURPOSES:

Statewide Scholarships and Fellowships:

Non-Formula Provisions: The request amounts are negotiated between the systems. (There are no formula provisions.)

Separately Budgeted Research Units, Separately Budgeted Public Service Units, and Separately Budgeted Continuing/Community Education Units, Experiment Stations, Cooperative Extension Services, and Other Special Purpose Entities:

Formula Provisions: Special funding adjustments are built into the aggregate calculations described in "Funding Procedures for General Operations." (There are no non-formula provisions.)

Medical/Health Science Centers:

Non-Formula Provisions: The request amounts are negotiated between the systems. (There are no formula provisions.)

PERCENT OF BUDGET REQUEST FUNDED:

1991-92: 74 percent

DISTRIBUTION TECHNIQUE WHEN REQUEST IS NOT FULLY FUNDED:

- Protect Base Plus Line Item Increases
- New Dollars in Proportion to Request

Some increases such as salary increases are incremental, while others may be in proportion to the formula request.

REALLOCATION TECHNIQUE FOR MID-YEAR BUDGET CUTS:

Generally an across-the-board percentage is applied to all institutions and programs.

PROCESS FOR ESTIMATING SELF-GENERATED REVENUE:

Estimated fee collections, indirect cost recovery and other self-generated revenue are typically not included in state-level budgetary deliberations. Fee revenue from non-resident students in excess of norm levels is adjusted through the formula. Institutions retain all self-generated revenues except a portion of fees (approximately 25 percent) which are remitted to the system level for capital improvement and debt retirement.

TUITION AND FEES POLICIES:

For in-state and out-of-state students, fee levels are generally dependent upon institutional recommendations, state-level policies with respect to salary increases, benefit costs, etc., and state funding support. Governing boards generally attempt to keep both resident and non-resident fees in line with SREB medians for peer institutions.

USE OF EXTERNAL INFORMATION:

SREB peer group information on average state support per student, median tuition and fee rates and faculty salaries are used extensively both in past and current revisions of the formula, and to set overall budget request policies and objectives.

YEAR THAT BASIC METHOD FOR BUDGETING WAS ADOPTED:

1989-90 (The last major revision was in 1990-91.)

SUMMARY OF REVISIONS OF BUDGETING METHODS ENACTED SINCE 1991-92 OR UNDER CONSIDERATION:

The State College and University System have no immediate plans for revisions, but the formula for institutional distribution is under study by legislative subcommittee.

BUDGET CONTROL/BUDGET FLEXIBILITY (Which level of management can legally authorize transfer of funds):

Control is exercised by various state agencies (Department of Administration, State Auditor's Office, State Treasurer's Office, and the Board of Investments among others). Expenditure control is centralized at the system level and primarily based upon line item categories of appropriation, although recently budgets have been "unclassified" providing institutional budgeting flexibility.

	Institutional Officers/ Governing Board	Statewide Coordinating/ Governing Board	Executive Branch	Legislative Branch
Among Functions (instruction, student services, etc.)	x *	x *		
Among Objects (salaries, equipment, etc.)	x *	x *		
Line Items (desegregation, research institute, etc.)	x *	x *		

* Institutional officers have the authority to transfer funds without state board approval. The state boards also have the authority to transfer funds.